★ MARKET ACTION TO TAKE NOW ★

36 YEARS OF SERVICE

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

NOVEMBER 13, 1943 50 CENTS

★

Re-Appraisal of War Stocks—Looking Toward 1944

By J. S. Williams

★

How to Minimize This Year's Taxes

By L. O. Hooper

★

The New World of Transportation —On the Sea —In the Air

By V. L. Horoth

★

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 73, No. 3 November 13, 1943

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly; The Investors Guide, Adjustable Stock Ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

The Trend of Events.......................... 107

As I See It! By Charles Benedict.................. 109

Market Action To Take Now. By A. T. Miller........ 110

How To Minimize Your Taxes. By L. O. Hooper..... 112

Re-Appraisal of War Stocks. By J. S. Williams....... 115

The New World of Transportation. By V. L. Horoth.. 118

Happening in Washington. By E. K. T............... 122

New Role for Consumer Credit After the War. By E. A. Krauss 125

The Coming Boom in Household Equipment. By George W. Mathis 128

Importance of the Government's War-Time Anti-Trust Policy. By John D. C. Weldon.................. 131

Changes Ahead for the Tobacco Stocks. By Stanley Devlin 134

Newcomers on the Stock Exchange. By THE MAGAZINE OF WALL STREET Staff 136

Low-Priced Building Stocks. By Roger Carleson...... 138

For Profit and Income.......................... 142

Investment Audit of Western Union. By Owen Ely.... 144

Answers to Inquiries........................... 146

Another Look At. . . . By THE MAGAZINE OF WALL STREET Staff 148

The Business Analyst.......................... 149

Cover from Westinghouse
Full Dress Uniform for Women Welders

C. G. Wyckoff, President and reasurer. Laurence Stern, Vice-President and Managing Editor. Eugene J. Foley, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newstands in U. S. 50 cents, Canada, 55 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 20, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$10.00 a year in advance in the United States and its possessions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, B. C. 4, England.

Cable Address—Tickerpub.

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

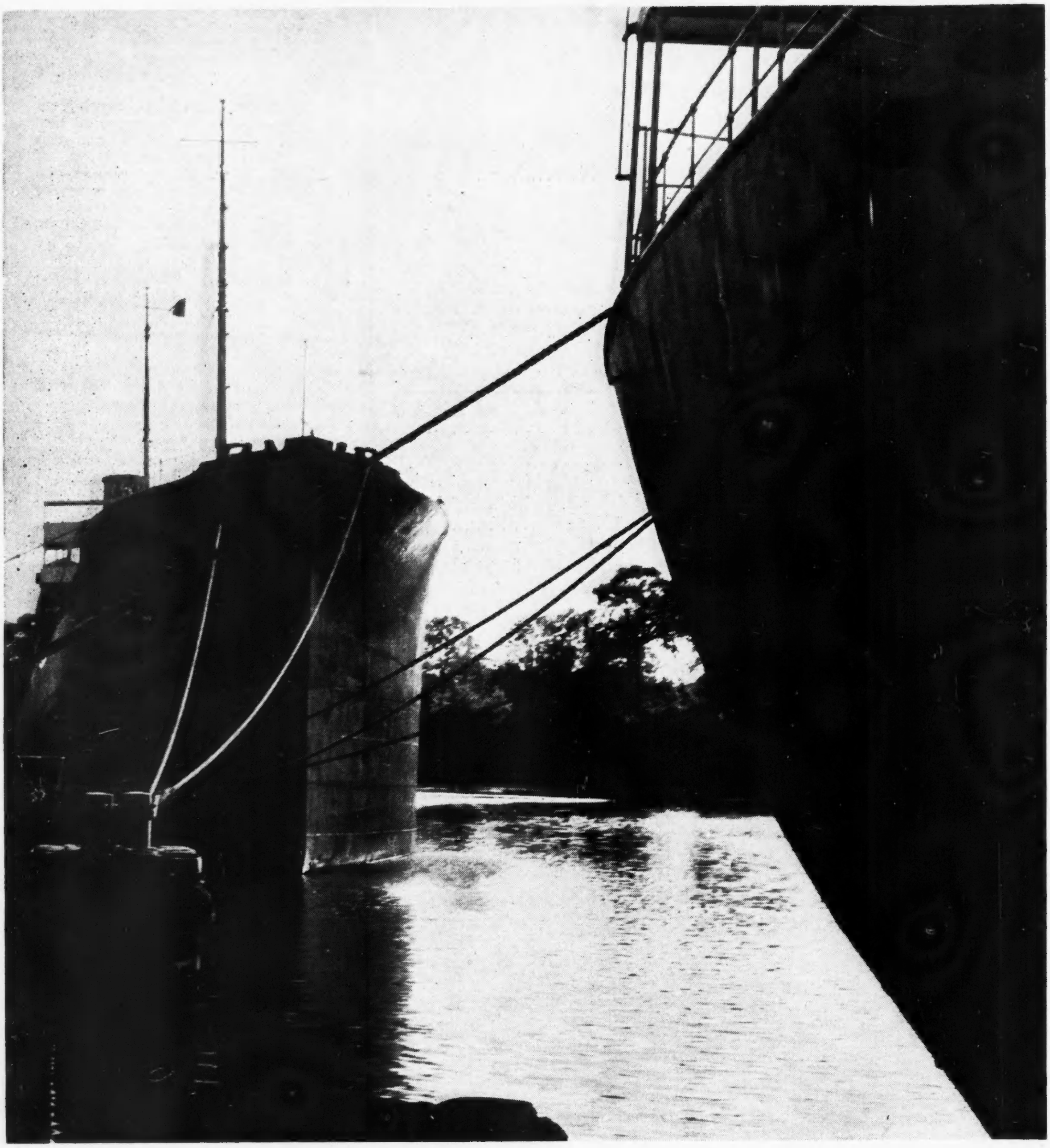
Allegheny Ludlum Steel Corporation has declared a dividend of ninety-five (95) cents per share on the Common Stock of the Corporation payable on December 22, 1943 to stockholders of record at the close of business December 1, 1943. A dividend of $1.75 was also declared on the Preferred Stock of the Corporation payable on December 1, 1943 to stockholders of record at the close of business November 15, 1943.

E. J. HANLEY, Sec'y. & Treas.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share and an additional dividend of 25 cents per share on the Company's capital stock, payable December 15, 1943. to stockholders of record at the close of business December 1, 1943.

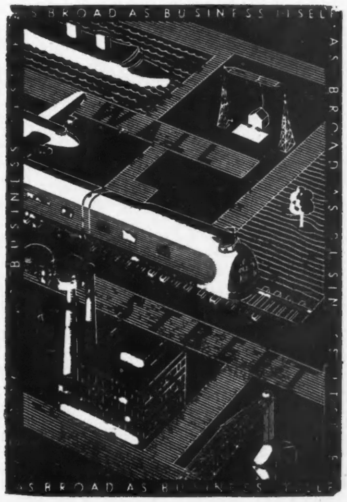
H. F. J. KNOBLOCH. Treasurer.



In ocean transportation a radically changed situation is shaping up for the post-war world, presenting some complex problems in commercial relations between the United States and Britain, as well as between us and other lesser maritime nations. How far will we go in subsidizing our merchant marine? Will the ocean air empire be "business" or a Government monopoly? What are the implications for trade? Mr. Horoth gives you some of the answers in the article on page 118.

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Publisher* Laurence Stern, *Managing Editor*



The Trend of Events

TIME TO ACT . . . Though it has felt its way and relied heavily on improvised measures, the Roosevelt Administration thus far has had considerable success in limiting the war-time inflation in the cost of living. Nevertheless the present situation is both unsatisfactory and threatening.

No President in history has been as sympathetic—intemperate critics would say subservient—to organized labor and the farmers as Mr. Roosevelt. Now he is finding that past favors are ungratefully forgotten. Although it is undeniable that workers in the war-stimulated industries—as well as farmers—have had very large gains in income at the expense of unorganized groups, the farm and union lobbies continue to press relentlessly for more advantage.

Whether from the point of view of sound statesmanship or of practical politics, it is obviously no longer possible for the Administration to "play ball" to the satisfaction of these two pressure groups. To do so would dangerously accelerate the wage-price inflation spiral; and alienate countless millions of unclassified voters who actually hold the balance of political power that the union and farm spokesmen erroneously claim for themselves.

Keenly aware of the shift in public opinion, Mr. Roosevelt in recent months has increasingly and eloquently pleaded the cause of the "Forgotten People"—the unorganized, the white collar groups, the people who have had little or no income gain out of the war effort and who would be ever more hard hit by further price inflation. To this the labor bosses and the farm bloc politicians have thus far turned a deaf ear. If they can not read the meaning of the recent election results, others—including the Administration—can. Those results indicate a dominant protest vote against the sum total of home-front management to date, with bitterness against special favor for the unions and the farmers unquestionably influential; and in various clear-cut tests the unioneers were revealed as powerless to deliver the votes they had pretended to control.

The time has come to stop debating stabilization—and to stabilize firmly. The most feasible technique is to follow Canada's lead in linking wages and the commodity price index directly together. In no other way can the spiral be so effectively controlled.

INDUSTRIAL PRODUCTION . . . Once more the Federal Reserve Board has found it necessary to revise its familiar index of industrial production in order to measure volume more accurately under the distortions of a war-time economy. The net result, like

that of the last previous major revision, is to raise substantially the indicated level of production, as compared with the volume shown by the old index. Thus the August index figure (1935-1939 = 100) becomes 243 instead of 207.

There can be no completely satisfactory index of total industrial volume at any given time. The difficulties in such an undertaking are enormous and most complex. All items can not be included. New products and new industries arise. Prices and quality change. Physical units are not necessarily fixed. (An airplane may be anything from a small trainer to a huge bomber.) Where products are standardized, physical units represent the simplest measure. In many instances, man-hours of labor represent the most feasible measure.

The new index contains many more series based on man-hours than the old one. Indeed, they now make up some 58 per cent of the total index, against 32 per cent in the 1935-1939 base period. Obviously, it takes more man-hours of labor to fashion a ton of steel into an intricate anti-aircraft gun than into a motor truck. Nevertheless, an index that puts such emphasis on man-hours becomes more a measure of labor performed and less a measure of product turned out.

When we have returned to a peace economy the Reserve Board index will have to be revised again. The present one will be just as unsuited to such an economy as the previous one was to a war economy. For instance, it probably will record a substantially larger decline in production in the early post-war transition period than most economists had been allowing for in terms of the old index.

CORPORATE CASH . . . The question of how much the country's supply of money is being inflated is very important, but also important is the question of who has title to this money. Recent studies by the Federal Reserve Board indicate that as of July 31 business enterprises owned nearly 70 per cent of the $56 billion total of demand deposits, individuals only some 25 per cent. The figures: business deposits, $39 billion; individuals' deposits, $14 billions.

As compared with the pre-war year 1939, the total inflation in demand deposits—this is the "check money" with which the greatest portion of commercial payments are made—amounts to about $28 billions. Though no break-down for previous years is available, the Board believes that the major part of the increment—perhaps up to three-quarters of it—is represented by business firms.

This study puts a substantially altered perspective on the much-discussed inflation problem, so far as its *monetary* aspect is concerned. Whatever its other implications, increased—and to some extent surplus—corporate cash does not put any upward pressure on your cost of living. Surplus consumer cash does; but this surplus, so far as it consists of demand deposits, is not nearly as large as many observers had assumed. Of course, individuals have largely increased savings or time deposits which could be withdrawn for spending, but money in a savings account can not be *currently* inflationary. It would not be there if its owners contemplated anything other than saving it for the future.

It is interesting to note that the final breakdown of subscriptions to the Third War Loan in September shows that business enterprises—other than insurance companies and savings banks—took nearly $8 billion of the $19 billion total, far exceeding any other class of subscriptions. Corporations quite evidently are much more "well heeled" in cash than most laymen had supposed.

QUALITY VERSUS PRICE . . . We hear much less about OPA in the newspapers these days. Since it fired the professors and brought in a lot of business men Congress seems satisfied. Then, too, or so we are told, there has been a slight decline in the cost of living since last summer. The "index" shows it, but—not being able to eat or wear an index—most housewives can not detect the difference, except for some seasonal easing in vegetables.

As regards some important types of goods—notably clothing and house furnishings—it is debatable whether consumers are any better off under OPA than they would be in a free market. To be sure, prices are frozen; but quality is not. Producers quote the ceiling price, but give you less value for it than formerly. One of OPA's own studies shows, for instance, that women's coats now priced at $12.75 are of the quality sold for $9.75 in 1942; that rayon dresses at the $3.30 ceiling are of the quality sold at $2.50 in 1942, and so on. Some competent economists figure that in non-standardized consumer goods there has probably been a concealed price rise of from 15 to 20 per cent over the past twelve months.

Personally, we feel no bitterness toward OPA. The price controller's lot is not a happy one. If OPA fixes both price and quality, while production costs beyond its control continue to rise, the product disappears from the market. If it fixes prices, but not quality, then quality will deteriorate. If it permits a rise in prices the lower-price products tend to disappear because they are least profitable. But one can fairly recognize the difficulties and still figure that OPA is owed no cheers by consumers. Fact is that the present honeymoon depicted by the cost-of-living index is something of a pious fraud. As we said before, one can not eat or wear an index.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 110. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue. Monday, Nov. 8, 1943.

As I See It! BY CHARLES BENEDICT

A NEW WORLD IN THE MAKING

A VERY short time ago men were listening to the discussion of plans for a new world with their tongues in their cheeks. Their habits of thought and experience did not permit them to believe that it was possible for a frail man of seventy-two years—scrupulously honorable and with a simple and direct approach—to convince a reputedly sophisticated realist like Joseph Stalin. And yet that is exactly what Secretary Hull did in Moscow.

The discordant clatter prior to Mr. Hull's departure was based on misconceptions regarding both men. The over-zealous Leftists in our country, to whom Stalin was a mystery, surrounded his direct and blunt pronouncements with sinister meaning, while their shallowness was unable to probe the depths of the practical realism of Secretary Hull—or guage the power of the man. That the spirits of the two men found harmonious accord is evident. After that had been established, it was easy to arrive at an understanding.

It seems as though in one fell swoop doubts and suspicions were put aside and both united to the task of setting in motion the events that common sense made clear were most likely to build a better world on the ashes of the great holocaust which had swept so devastatingly over the earth.

The burning flame of truth that is tested in the furnace of bitter experience teaches us how to see all sides clearly and objectively, after which the reaction to truth becomes instinctive. That is undoubtedly how Stalin felt when he talked with Secretary Hull. It was inevitable that this should happen when Hull and Stalin met face to face because Stalin himself, involved in a task of the greatest magnitude, had to seek the truth in order to find a way out.

Great glory will come to Hull for his unparalleled accomplishment. And future generations will speak of it as one of the most momentous occasions in the history of mankind.

The benefits that will accrue to the world as a result of this meeting are enormous. Carried through to its ultimate conclusion, it will usher in a new age in the relationship of all nations to the other. The Senate's overwhelming vote of approval of Mr. Hull's handiwork adds greatly to its authority and its promise for the future—a promise of sound and genuine international cooperation rather than another unworkable League of Nations founded on balance of power politics.

It opens up the way for establishing a new Europe in which the various states can be set up on a sound basis—as complete economic entities that will function as rounded units more along the lines of the old Austro-Hungarian (*Please turn to page* 157)

Free Lance Photographers

A brighter day for this world is dawning.

Market Action to Take Now

The stock market is again on the defensive and a test of previous lows is at hand. We continue to advise caution, and suggest further scaling down of speculative-investment holdings in the event the Dow industrial average breaks 134.

BY A. T. MILLER

Investment and speculative sentiment has swung further to the pessimistic or cautious side on the reasoning that the market has proved unable to respond to the "good news" provided by the November 2 elections; and that until well into December it will be under the handicap of sales for registration of capital losses or gains for tax adjustment purposes.

However, a particular news event is sometimes washed out, in market effect, by other news events; and it happened to be so with the election news, since the latter came at a time when announcement of the full accord reached by the United Nations at the Moscow Conference, together with continuing United Nations' military successes on all fronts, was giving nervous security holders another dose of "early peace" jitters. We'll never know what the market really thought about this election.

Brokers report that during the second half of last week many customers, who for weeks had been sitting tight in indecision, began jumping to the selling side. It remains to be seen whether they are right. Up to this writing it is still a market without recognizable trend indications from the technical evidence, and a market in which an objective observer has ample reason to avoid stubborn opinions as to what the averages can or can not do.

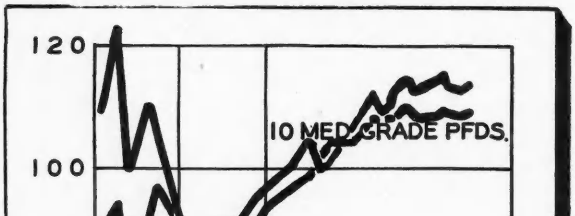
A bull can easily set up a case that sounds plausible, as follows:

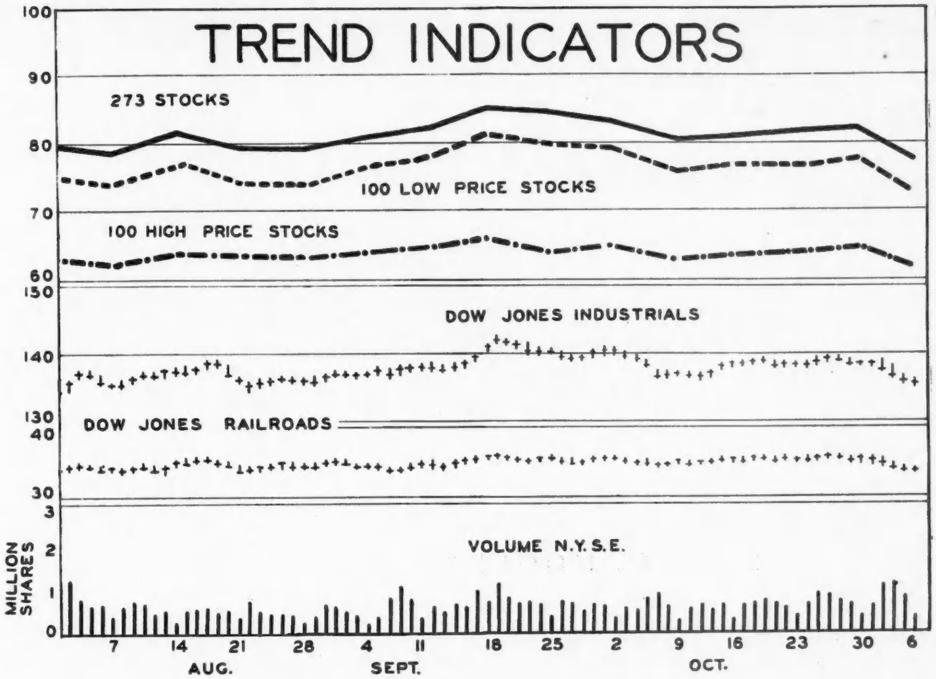
"Though peace in Europe may come fairly soon, peace is fundamentally bullish. While production will decline in the reconversion period, gradual demobilization, public works and heavy demand for civilian goods will prevent depression. The market is now at a moderate, rather than extreme, level. The various tax cushions will tend to sustain corporate earnings in the early post-war adjustment period and the market, once war ends, will put a higher capitalization on any given level of earnings than now.

"The transitional adjustment will be regarded as temporary and not too protracted; to be followed by a consumer goods-export boom—therefore the market will discount the latter and largly ignore the former. The market will also discount the beginning of reduction in corporate taxes, represented first by elimination of the excess profits tax. Savings and bank deposits will have been enormously expanded; and, as Government controls are relaxed, inflation will take hold. Finally, government will be conservative—or at least middle-of-the-road—and more favorable to capital than in many years."

But a bear could set up a case, for wide decline if not for a bear market, that also sounds quite plausible, as follows:

"After defeat of Germany our surpluses of war equipment—as well as those of our major allies—will be so huge that Federal spending must decline very sharply, probably by as much as 50 per cent within a period of months. Public works can't more than partially offset this. There will be a large decline in production and that can't be bullish for the market. Peace stocks have already discounted the rosy side of peace rather generously, and when





corrections. In rising sharply in September-October, 1939, the market badly misjudged what actually lay ahead for 1940, 1941 and 1942. A sharp peace decline—or pre-peace decline—might be equally wrong in its judgment of the post-war outlook—but would be no less painful for being "unjustified."

What is the sensible investment policy? There is no one answer suitable to all types of investors. The individual who holds a safety-first portfolio primarily for regular income certainly will not be concerned with the question whether the Dow industrial average will or will not break the 134 resistance level and slide on down to, perhaps, 120. But we assume that most readers of this article are definitely concerned with any substantial interim, or longer pull, fluctuation in the market value of their holdings. For these we think the sensible compromise policy under the market uncertainty that now exists is to keep sails trimmed, or trim them if they have not heretofore been trimmed. We favor, where feasible, holding up to 50 of available investment funds in reserve.

We would not be at all surprised if "the Dow" is shortly pulled down below 134. However, the test is so close in points—indeed fractions—that there is no need to guess. The market may well give its own yes or no answer immediately.

As for the war outlook, here is an extract from a recent issue of Das Schwarze Korps, Nazi Storm Trooper publication: "The hard realities force us to acknowledge the fact that the enemy has succeeded in defeating the tactics of our U-boat packs. The Luftwaffe has now fallen from the peak of victory into the depths. In many sectors of this war we have been compelled to climb down from the summit of our victories into the valley, and everything now depends on our nation and on its will power and morale."

That is not Nazi propaganda. It squares with too many visible realities. The climax may be near, as events move fast.

Note: As we go to press the averages have closed at new reaction lows. The technical odds suggest that more decline is probable.—Monday, Nov. 8.

it comes they should go down. War stocks are confronted by too many uncertainties as to contract settlements, peace-time volume, working capital, etc., to permit one to be bullish on them. Besides, peace may be further away than the present popular mood allows for.

"Since there will be large unemployment, the post-war consumer goods boom may well be deferred longer than most people think and may not be as dynamic in scope or duration as popular imagination now visions. Whether or not there is an eventual post-war inflation, it will be preceded by a considerable intervening period of deflation in consumer income, employment, trade and corporate profits. We probably are already at or very near the peak of inflation of money supply; since the Treasury is in a position to get by until next summer without significant borrowing from the commercial banks."

There you are and you can take your choice. We are disinclined to try to look too far ahead or to try to guess how soon peace may come or to jump to tenuous assumptions as to what the early post-war period may hold for business, corporate profits and stock values. However, we are cautious not so much because of the doubts in our own mind about the period ahead—we think the fundamentals are more bullish than bearish—as because of our notion that the mob mind is more likely to react bearishly than bullishly to the uncertainties and confusions presented by contemplation of early peace. If the market consensus were always right in its judgment of the future, we would not have such extremes of advance or decline, calling always for counter-

How to Minimize Your Taxes

The Savings Possible Through Security Sales and Switches

BY L. O. HOOPER

WITH almost eleven months past and only a few more weeks to go, the average reader of this article has a fairly clear idea of the size of his 1943 income from salary or from commissions, annuities, rents, pension, business profits, dividends and interest. This income, together with any net capital gains or losses thus far registered, constitutes what may be called (at least at this stage) *involuntary income*. It is income which *must* find reflection in the personal income tax return.

Against this involuntary income, almost any investor in stocks and bonds has other potential income, or potential losses, in the form of capital gains and capital depreciation. These capital gains and losses have not been "registered," and the investor can "register" them or not, depending on his needs or his fancy. To the extent that he employs them for the prime purpose of reducing or increasing his personal income tax liability for 1943, they may be regarded as *voluntary* income. It is income which may be taken into the tax return, or left out. What the investor should do depends on circumstances. Some taxpayers probably cannot save a cent by consummating additional transactions in securities before the end of the year. Others may be able to make very material tax economies by acting with intelligence.

This article, which is written by an investment analyst rather than a tax expert, is intended to remind the reader of certain possibilities. Whether or not the things suggested are applicable to your own case is something which you, yourself, should determine.

There are certain things which are obvious. Some of them always have been true, and others are relatively new. To mention a few:

(1) Capital losses carried forward from 1941, if not used in 1942, were forever lost as income tax credits. Your 1941 loss carryover, if not used last year, is "dead" so far as your 1943 return is concerned.

(2) However, your 1942 loss carryover credits, if any, are good this year—whether they are short-term or long-term. It should be recognized that these carried forward loss credits must be recorded in the return for 1943 in order that your tax history may be one running story. You can use up to $1,000 of your capital loss carryover as a deduction against non-capital gain income (income from dividends, salary, etc.), and the rest as a reduction of capital gains income or as an increase in the carried forward (to 1944) capital losses.

(3) If you can arrange it, you should have a net capital loss (either from 1943 or carried forward from 1942) to deduct against your non-capital gains income. This will save you the total tax on your top $1,000 of salary, dividend or interest income, which might be as little as $225 or as much as $900, depending on your tax bracket.

(4) In so far as possible, in building up losses you should take all short-term capital losses. For income tax purposes, a short-term capital loss of $1,000 is worth as much as a long-term capital loss of $2,000, the six months holding period being the dividing line between the two classifications. Short term gains or losses go into the income tax return at 100% of face value and long-term gains or losses at 50%.

(5) Likewise, it will cost you about as much in capital gains taxes to take a $1,000 short-term capital gain as to take a $2,000 long-term capital gain. Try, other things being equal, to confine your capital gains registered to long-term transactions.

(6) When you register a capital loss, you are not permitted to buy back the same security for 30 days; but when you register a capital gain, you can buy

back the same security immediately. The Government does not care how much you increase your tax liability, but it does care how much you reduce it.

(7) Oftentimes an investor owns several blocks of the same security, some standing him a loss and others a profit. In one portfolio, the writer recently found 10 shares of National City Bank costing 130, 50 shares costing 72, 10 shares costing 40, and 100 shares costing 29. Obviously, this investor had a potential tax "asset" in the stock costing 130 and 72, and a potential tax "liability" in the stock costing 29. For income tax purposes it is possible to sell a specific certificate, and the certificate sold should be the one where the cost is highest. That is a pretty good rule to follow all the year, not just in the final months. Always keep a record of the certificate numbers sold, and be sure you deliver the right pieces of paper.

The "Forgiveness" Provisions

To prevent any taxpayer from avoiding tax liability as a result of the forgiveness provisions incident to the changed method of collecting taxes which went into effect in 1943, Congress did two things: (1) it provided that only 75% of the 1942 tax (which would have been payable in 1943) should be cancelled, making the "unforgiven" 25% payable in two installments, one due March 15th, 1944 and one due March 15th, 1945; and (2) it ruled that the taxpayer would regard his 1943 tax liability as his tax on 1943 income or his tax on 1942 income, whichever might prove higher. Incident to this, the legislators also required that in event a taxpayer should find his 1942 income tax higher than his 1943 income tax, he would pay, in addition to the tax on his 1942 income, 25% of whatever tax would have been due on his 1943 income, had that been higher.

This provision, which is applicable only to the taxpayer's liability for 1943 and to the "unforgiven" part of his 1942 tax, is a non-recurrent situation. It will not be a factor in the 1944 return.

Patently, it is to the advantage of the taxpayer to increase his "computed" tax liability for 1943 to a point where it will be at least equal to his tax liability for 1942. Different taxpayers, if they are ingenious, will find various ways to accomplish the objective—especially if they are on a cash basis rather than on an accrual basis.

One way to do it is to register "voluntary" income in the form of long-term capital gains. Fortunately, almost everyone who owns a portfolio of securities at this time can find items which cost him much less than the current quoted prices. By registering the capital gain at this time, the necessity for registering it in the future—when the present tax situation may be less favorable—is eliminated. The total "cost" of the portfolio is marked up. There need be no reason to lose a good investment position since stocks sold for capital gains may be replaced immediately.

The individual taxpayer who at present has registered less income for 1943 than for 1942 will be amazed if he takes his pencil and paper and figures out how little additional capital gains will cost in taxes. The rate figures out about 6¼% on gross long-term gains. What follows is necessarily complicated since it is difficult to state it in more simple language. The case may be best presented by citing some hypothetical situations.

Suppose you reported an income tax liability of $50,000 for 1942 and now expect to have an income tax liability of $40,000 for 1943, figured on the rates in force. Your tax would be $50,000 (your 1942 liability) plus 25% of your computed tax on your 1943 income (in this case $10,000) or $60,000. Now, by taking enough long-term capital gains to make your 1943 income tax equal to your 1942 income tax, you will find that these gains will cost you only 6¼% of their face value.

It works out this way. Your "computed" tax liability without the long-term gains is $40,000. To bring your "computed" tax up to $50,000, or to make it equal the 1942 computed tax, you need $10,000 more of tax liability to report.

To get $10,000 more of taxable liability, you simply register long-term profits of $40,000. The tax on $40,000 gross long-term capital gains, of course, is 25% of the gross. Legally speaking, the rate is 50% on 50% of your actual long-term gain, which is 25% on 100% of the gain.

By adding that additional $10,000 of tax liability, you have made your computed 1943 liability equal to your 1942 reported liability; but this does not make the additional capital gains quite tax free. Why? Because you have become liable for an additional tax of 25% of $50,000 (your 1942 reported tax liability) instead of 25% of $40,000 (your first

SUGGESTED SUBSTITUTES FOR LESS DESIRABLE LOW-PRICED STOCKS (SUBSTITUTES FOR STOCKS SOLD FOR TAX PURPOSES.)

	Recent Price	Indicated 1943 Dividend	Indicated 1943 Earnings	1937 High
Allen Industries	10¼	0.75	1.45	27⅞
American Bosch Corp.	7½	0.50	1.90	31¼
American Colortype	9⅝	0.60	1.50	23⅝
American Water Works	6⅞	—	.90	29½
Armour & Co.	5⅜	—	1.50	13¾
Aviation Corp.	3⅞	0.25	.80	9¼
Barker Bros.	12⅝	0.50	1.60	32
Barnsdall Oil	15⅝	0.80	1.80	35¼
Bucyrus Erie	8⅜	0.50	1.08	25¼
Budd Wheel	8	1.00	1.80	13
Burroughs Adding Machine	12¾	0.60	0.80	35⅝
Celotex Corp.	12¼	0.75	1.40	48¼
Chicago Mail Order	15⅛	0.60	1.60	32
Dixie Cup	13¾	0.75	2.25	25
General Baking	7⅞	0.60	0.95	19½
Hall Printing W. F.	16½	1.25	2.85	20⅝
Marine Midland	6¼	0.30	0.75	14¼
Philadelphia Co.	9⅛	0.60	1.10	20
Reliable Stores	13⅜	1.00	2.50	22⅜
Stokely Bros.	10⅝	0.50	1.75	17½
Tennessee Corp.	10¾	1.00	1.50	15⅜
Union Bag & Paper	10¼	—	0.75	18⅜
U. S. Freight	15½	1.00	3.50	34⅞
Wilson & Co.	7⅞	—	2.50	12¼

computation of 1943 liability). Your tax, therefore, will be $50,000 plus $12,500, or $62,500, not $50,000 plus $10,000 or $60,000.

For an additional tax liability of $2,500, you have taken $40,000 of long-term capital gains. The rate on the long-term capital gains, in your case, therefore, is only 6¼%. Under present tax conditions, income subject to a tax of only 6¼% looks all but "tax-free."

Since it is desirable to file a revised "declaration" of your 1943 tax liability on December 15th, or at least to check up and see if the September 15th declaration was approximately correct, it is quite possible that in 1943 the bulk of year-end tax transactions will be consummated before December 15th. There is nothing in the law, however, to prevent tax transactions for loss purposes up to the close of business on the last day of the year. Profits taken on December 31st go into 1944 income. There is a tax penalty for a serious underestimate of 1943 tax liability in the final declaration on December 15th (or in the September 15th declaration, if not subsequently revised); but there is no penalty for overestimating your taxes in either declaration. If you discover, subsequent to December 15th but before January 1st, that you can reduce your 1943 tax liability, as estimated in your declaration, by registering capital losses, there is no penalty for so doing.

Almost everyone who has been active in the stock market for the past 20 moths has some registered profits. It stands to reason, therefore, that there will be a fairly large amount of tax selling in backward issues to offset these profits. The logical things to sell always are the "mistakes," some of which may be all but forgotten.

Many investors will find themselves in possession of stocks like old Missouri Pacific, old New Haven, old 'Frisco, old Seaboard Air Line, and old Rock Island, issues which probably will be of no value in coming railroad reorganizations. Of course, some of them might acquire a nominal value if the Hobbs Bill, now before Congress, should be enacted (which is hardly probable), but in any event that value would be small. Stocks like these, almost without exception, are held at higher prices.

MANY OWNERS OF THESE STOCKS HAVE LOSSES WHICH COULD BE REGISTERED

	Recent Price	High 1937	High 1939	High 1940
American Encaustic Tiling	2⅝	13½	5⅜	3¼
American Locomotive	13	58⅞	30⅜	22¾
American Zinc & Lead	5	20	12	8¼
Baltimore & Ohio	6½	40½	8¾	6⅜
Bell Aircraft	13¾	18¾	36½	32¼
Boston & Maine	3¾	15¾	4⅞	2¾
Budd Mfg.	5⅞	14⅜	8	6¼
Childs Co.	1¾	15⅞	13⅛	6⅝
Curtiss-Wright	7¼	8⅜	13¼	11⅜
Diamond T Motor	13⅜	23	10½	10⅛
Dow Chemical	129⅞	159¼	144⅝	171
Electric Boat	10¾	16	18¼	18⅜
Ex-Cell-O	23½	27⅝	25¼	34¾
General Cable	5⅛	32½	18	11⅞
General Outdoor Advertising	5¼	15¼	6⅞	7¼
Graham Paige	1⅜	4¾	1½	1¼
Grumman Aircraft	12	(a)	22⅛	25⅜
Holly Sugar	13⅜	43½	21¼	16½
Hudson & Manhattan Pfd.	6¾	15⅞	5½	7½
Illinois Central	12	38	20¾	13⅜
Inspiration Cons. Copper	11	33⅛	21	15⅞
Inter-Hydro Electric "A"	2	16⅞	8¼	5⅜
International Mining	4¾	18¾	10	7
Keystone S. & W. Co.	17¼	20½	16⅞	15⅜
Magma Copper	17⅜	63	40	38
Missouri, Kan. & Texas R. R.	2	9¾	2⅜	1⅛
N. Y. N. H. & H. R. R.	¾	9¾	1¾	⅝
N. Y. Shipbuilding	17⅞	15⅜	17	31¾
Packard Motors	3⅝	12⅜	4¾	4⅛
Penn-Central Air Line	15⅞	(a)	11⅞	22¾
Pittsburgh Screw & Bolt	4¾	20	11⅜	8⅜
Reynolds Metals	11⅞	30⅜	14¾	15⅞
St. Louis, San Fran. R. R. Pfd.	1	11⅛	2	⅞
Savage Arms	8⅜	27½	23	43
Seaboard Air Line	1½	8½	3⅛	1¼
Seagrave Corp.	2⅝	11¼	3½	2⅞
Sparks Withington	4½	9½	3⅜	3⅛
Standard Gas & E. $4 Pref.	3⅛	32⅝	10⅜	7½
Twin City Rapid Trans.	7	17½	3¾	3¼
U. S. Leather	5¾	15⅛	10½	7⅝
Virginia Carolina Chem.	4	12¾	5¾	4⅛

(a) Not listed in 1937.

Issues to Sell

Perhaps there is some fundamental value, although probably small, back of issues like Commonwealth & Southern common, American Power & Light common, and United Corporation common; but they might be called "gambles" rather than "speculations," and almost everyone who bought these stocks five or ten years ago has a loss in them which could be registered. If you don't want to lose your position, you can sell American Power & Light and buy Electric Power & Light, sell United Corporation and buy Electric Bond & Share, or make other switches of this type which enable you to maintain a similar speculative risk.

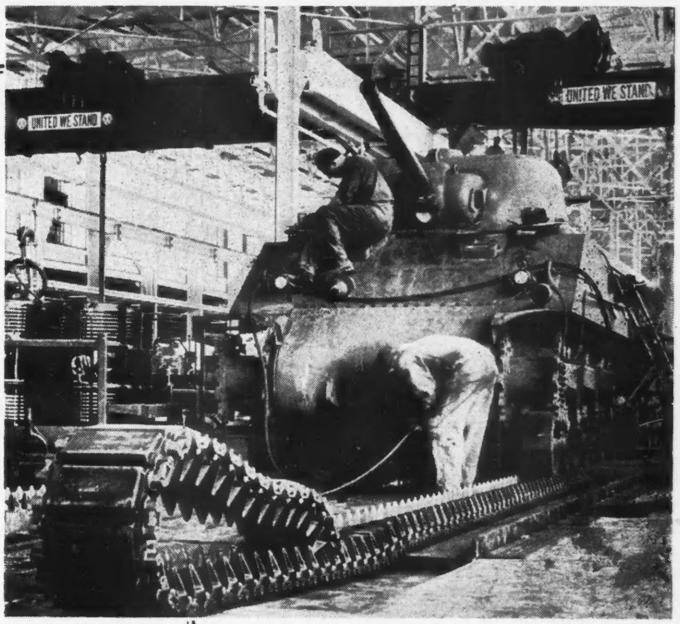
Your broker no doubt will be willing to make suggestions for specific switches of this type. The *Magazine of Wall Street* staff has prepared some suggestions, carried in the accompanying tables, to supplement this article. These suggestions, it should be kept in mind, are not advisory; they are merely illustrative.

Most portfolios have some war industry shares left in them, and war industry shares at present are usually held at a loss. The prospect for war shares does not seem to be alluring, now that the conflict in Europe is beginning to show such definite signs of incipient senility. The tax advantages of taking capital losses in the aircrafts, the machine tools, the shipbuildings and the munitions issues quite possibly are greater than their price recovery possibilities. That is for the holder to decide. His decision probably will depend on how badly he needs the losses to offset profits taken in other issues.

Another potential source of long-term losses is found in the bank shares, many of which went into portfolios at the 1928, 1929 and 1930 prices. By selling National City and buying Chase, or selling Manufacturers and buying (*Please turn to page* 158)

Re-Appraisal of War Stocks

BY J. S. WILLIAMS



Laying the track for a General Sherman tank at the Fisher Body Division of General Motors

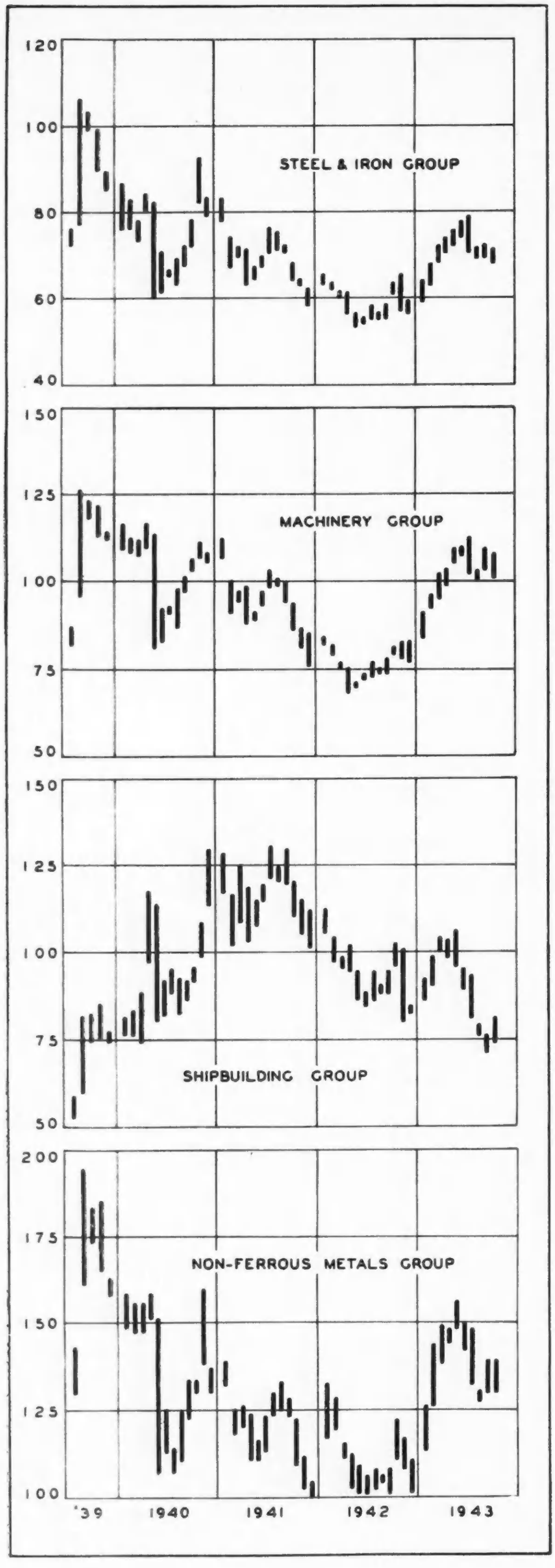
SOME of the best investment opportunities for the next market advance may be found among the war stocks many of which have been depressed far below their intrinsic value. War stocks have been without glamour in World War 2. In spite of high earnings and rising dividends they were never quite able to conquer existing investor doubt and distrust. As peace prospects grew more concrete, they met increasing pressure, in contrast with mounting preference for peace stocks, until today war stocks are selling at lower ratios than at any time since the outbreak of the world conflict.

Two cardinal factors are responsible for this unpopularity. They are, briefly, doubt concerning available post-war volume of business in their respective fields, and apprehension that taxes, renegotiation and reconversion may leave them in such weakened financial position as to seriously threaten any attempt at successful post-war operations. It seems that on both counts, the market as well as the public has been guilty of exaggeration. Corporate taxes are not likely to go much higher; the realistic attitude of Congress in tax matters should go far towards allaying uneasiness on that score. As to renegotiation and reconversion, the trend of official thinking and action is clearly in the direction of a constructive approach in order to cushion and facilitate transition to peace-time operations. Recent Treasury proposals of carry-back privileges covering virtually the entire range of reconversion problems are significant and should be productive of really helpful legislation. As to post-war business, prospects naturally vary with individual industries; the outlook will be discussed in detail later in this article.

Just now, some war stocks appear close to a turning point; capitalization of earnings is so modest that ratios can hardly shrink further and yields in many cases are inordinately high. Many issues sell far below book value and even below net quick assets. Deflation generally is so complete as to over-discount the worst possible post-war prospects. In numerous instances, these appear to justify substantially higher than current quotations.

Naturally not all war stocks are attractive simply because their prices are ridiculously low. The need for selectivity exists regardless of their deflated status. But where careful selection is undertaken, of industries as well as individual stocks, many factors will be uncovered which tend to enhance materially the over-all appeal of rock-bottom prices.

Take for instance the much maligned machine tool equities. Ever since war orders began to drop sharply after the first quarter of this year, there has been an outbreak of the most gloomy predictions virtually denying this industry any possibility of surviving peace. This would appear a gross exaggeration, to put it mildly. True, machine tool orders have been falling off rapidly and 1944 shipments will probably drop to below $400 millions, possibly to $325 millions or one-quarter of last year's peak output. Unfilled orders at the end of September were $333 millions, exactly four times September shipments of $85 millions. However, for the duration this level is likely to be maintained; it is comparable to an excellent peace-time year affording the industry quite substantial earnings since much of the decline from earlier peak income will be at the expense of taxes. To supplement dwindling machine tool orders, the industry has been active in securing ordnance business and already built up a backlog of such orders



amounting to nearly $100 million. Significantly, the smaller companies have been acquiring a larger proportion of this new business than the medium or larger tool builders, reflecting in part greater flexibility in adapting themselves to new output. The industry now makes a wide range of non-machine tool products and continues to seek additional business. For the duration, no really severe earnings drop is in sight.

Reconversion is admittedly difficult but the industry as a whole is financially well prepared to assume this task. Most tool builders have set aside large reserves, and working capital is not only substantial but in most instances extremely liquid, including large holdings of cash and marketable securities. The biggest bugaboo, however, is the prospective volume of post-war business. While the industry faces some lean years, it would be a mistake to share the extremely pessimistic views frequently heard especially inside the industry. In the background of all is the question of disposal of Government-owned machine tools and much planning has been done by the industry to solve this problem. Large quantities are expected to find a ready market abroad where machinery for reconstruction purposes will be badly needed. Also, not all the machine tools now on war work are adaptable to peace-time production. Much of it will have to be junked, much will be badly worn. What's more, American industry will want new and more advanced machine tools when peace is here. To maintain employment, low-cost production is a prime prerequisite. The industry must develop the most productive machines and cost-cutting methods to foster lowest possible production costs. This alone will assure a certain minimum of post-war business which should sustain at least moderate earnings of seasoned manufacturers. Additionally, most companies have plans for entering supplementary lines of activity so as to share more fully in the post-war boom. Their war production experience should greatly facilitate such efforts.

Thus despite the impending great contraction of volume, seasoned machine tool equities at current deflated prices are not without merit. Their reaction risk currently is regarded minimal. Yields presently average about 10% and run as high as 20%. Selling at lowest multiples of earnings, they may represent good speculative values for longer term holding into the post-war period, though no doubt patience will be required.

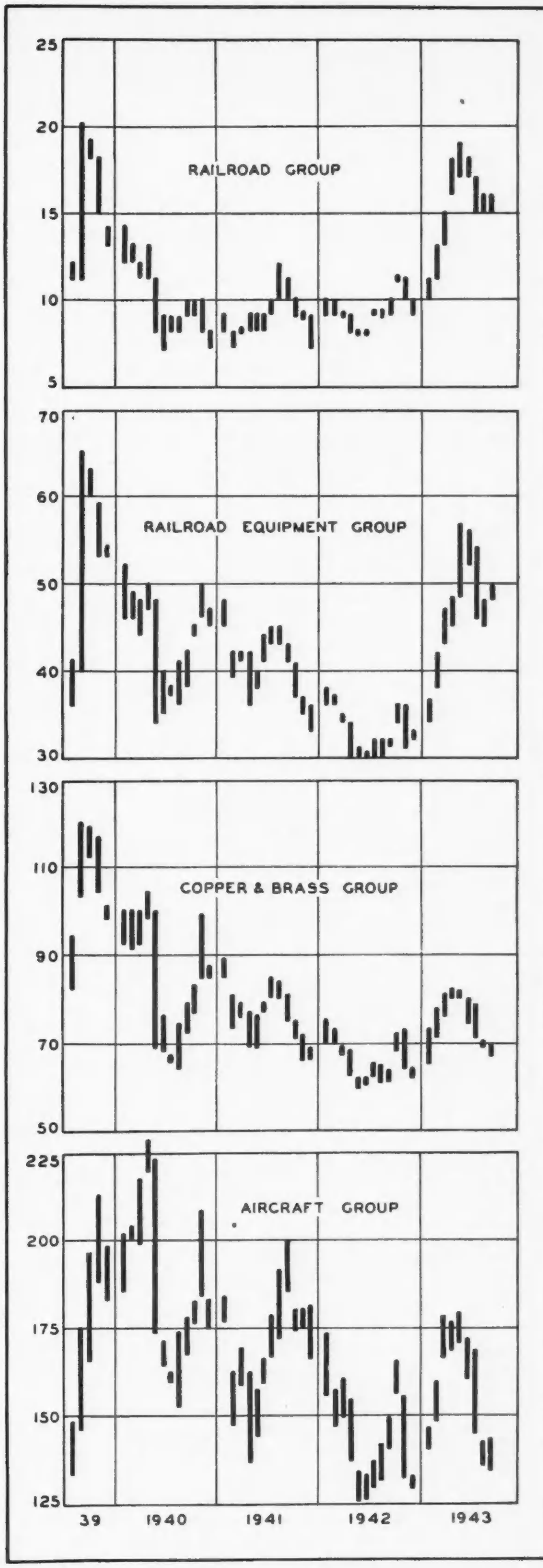
Much the same can be said for most aircraft equities. They too face a difficult transition period. Essentially, however, they represent a growth industry with good long-term prospects for the best situated. Their outlook was discussed in detail in the last issue of the Magazine and there is little to be added at this time. Greater selectivity, however, is advised and any enthusiasm for these stocks might be better curbed until we are closer to the time when the post-war problems affecting the industry become better defined. With price-earnings ratios averaging about 3 to 1 and yields around 10%, it is believed

that a foundation has been created for a new departure as soon as a clearer view can be had of the future. Meanwhile, the reaction risk is regarded quite small, with prices near bottom.

The sluggish market behaviour of non-ferrous metals, and especially copper shares, has frequently been commented upon in this publication. Though not strictly war stocks, tremendous expansion of productive facilities due to enormous war requirements served to place them into this category; in the popular mind, their post-war prospects appear distinctly underestimated. While price deflation has by no means gone as far as with the two aforementioned groups, it was drastic enough. Price-earnings ratios of the leaders average 7 to 1 and dividend yields about 10%, unusual for companies of this calibre. Non-ferrous metals, and copper in particular, are essential raw materials for which active demand should exist if there is to be any general post-war prosperity. The development of competitive materials such as plastics, plywood and light metals will be an influence, to some extent, affecting the demand outlook but it would be extreme to suggest that it might depress non-ferrous metal industries. Also, there will be no severe price deflation after the war in view of the existing low price "pegs." In fact, a somewhat higher copper price may well materialize, depending on the intensity of boom conditions and the post-war cost structure. Copper shares are likely to continue sluggish for some further time but eventually should get out of their rut, with a strong forward surge by no means impossible once the future outlook is more clearly defined.

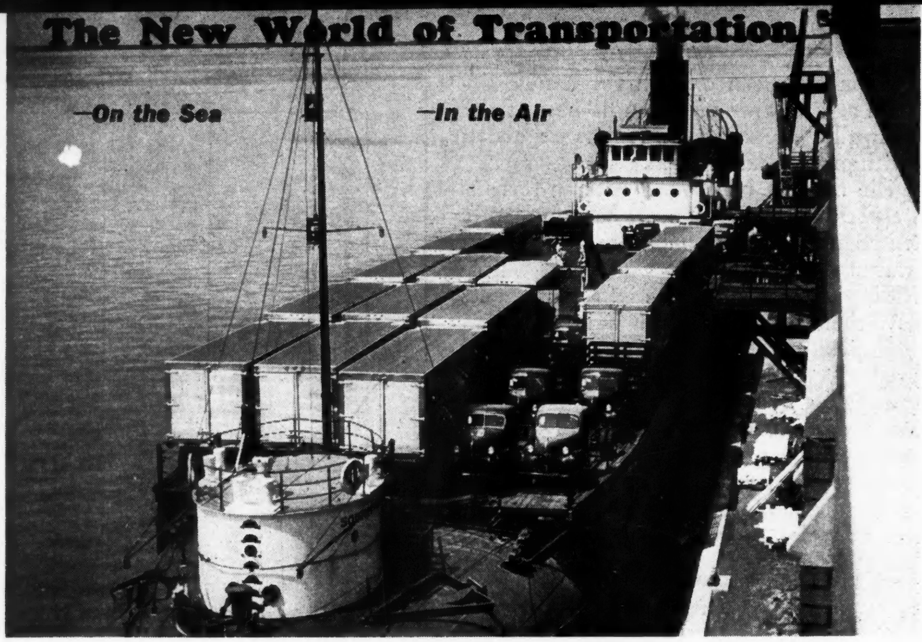
Somewhat different is the situation surrounding the light metals, aluminum and magnesium. These were discussed at length in a recent article, fully covering all aspects of the competitive and political factors affecting them. They are such as to make commitments undesirable at the present juncture though future potentials may shape up far better than generally assumed. It is the political factor, however, which needs clarifying before an intelligent appraisal of the over-all outlook is possible.

With few exceptions, shipping and shipbuilding shares are radical war speculations. Consequently, they will continue to sell low in relation to earnings and afford generous returns but their market potentials, at present, appear virtually nil. As to the future of shipping, the incredible output of our shipyards has again placed the challenge of sea supremacy on our doorstep. It remains to be seen what we are going to do with it. Already there are signs that we are not willing to take the past as a guide to the future but these must crystallize further before it will be possible to draw any conclusions, from an investment viewpoint, anent the future of our shipping concerns. In the past, shipping has not been renumerative, due to extreme competition, and subsidies were required to enable American shippers to stay in business. There is no reason to expect any fundamental change in this situation. Radical and far-reaching measures would appear to (*Please turn to page* 158)



The New World of Transportation

—On the Sea —In the Air



BY V. L. HOROTH

THE safest and easiest prediction in regard to post-war transportation is that there will be a spectacular expansion of commercial aviation. That we shall see a greater saving of time and a greater annihilation of distance than ever before, is another development that can be taken for granted. The third safe assumption in regard to the post-war transportation is that the overall volume of freight and passenger traffic will soar to new high levels everywhere.

All this is highly encouraging from the viewpoint of all forms of transportation, except for two qualifying factors. First, far reaching readjustments will be necessary as a result of the tremendous war-time overexpansion of all forms of transportation facilities, air, rail, motor, water, and pipeline. Second, one may expect that the problems of readjustments which normally might be solved by competitive processes will be greatly complicated by the consideration of national security or rather by the political interpretation that will be put on it.

The consideration of national security makes the post-war outlook particularly uncertain for our shipping companies engaged in carrying foreign trade and also for our air transport companies which will have to compete with foreign Government-owned or Government-subsidized organizations. Unquestionably they will have to depend upon the aid of the United States Government, which in turn is likely to be influenced by international as well as domestic political developments. There is, however, hope that through integration of American overseas steamship and air services, a foundation can be laid for an efficient transport system, able to compete successfully with the least cost to the American taxpayer.

Great expansion of air transport after the war is only natural, in view of its tremendous potentialities revealed during the war. People all over the world have become air-minded. The air transport companies will have the advantage of the tremendous technological advances made during the Second World War, most of which have been financed by the taxpayer. They will have a great body of schooled personnel to draw upon. In this country alone, the armed services will have trained some 3,000,000 pilots, navigators, airport engineers and mechanics. The development of airport facilities, the beacon system, and radar equipment will also aid in making air transportation more efficient and safer. At the same time, air transport may prove to be the cheapest method of opening up vast new areas in Africa and parts of Asia and Latin America, where, because of the scarcity of population, great distances and natural barriers, the construction of railways and even highways would be too costly.

Viewed in the light of potentialities and wartime developments, some of the predictions in regard to post-war air transport development do not appear to be an exaggeration at all. The National Resources Planning Board, for example, has arrived at the conclusion that domestic air traffic alone will be more than 13 billion miles, compared with 1.1 billion miles flown in 1940. The Air Transport Association expects that during the early 'Fifties there will be as many as 15,000 commercial planes and some 300,000 private aircraft in operation. This compares, as will be seen from the accompanying table, with about 350 transport planes and less than 25,000 private planes in 1941. The experts of the Institute of the Aeronautical Sciences believe that we shall have at least 6,000 airports in this country and that by 1950 airlines will handle as many as 20,000,000 passengers, compared to about 3,000,000 passengers handled in 1941 and some 17,000,000 han-

dled annually before the war by the Pullman Company.

Furthermore, it is not at all unlikely that air transport, by opening up new areas, will stimulate enough trade to make the eventual introduction of rail or motor transport profitable. It has been the experience of the past two hundred years that any improvement in transportation, accompanied by a reduction in costs, has resulted in the expansion of passenger and freight traffic. As the transportation costs are reduced, more products can be profitably transported. This brings about a wider exchange of goods and a greater geographical spread of trade, from which in most cases older types of transportation have also benefitted.

At the same time, the great redistribution of wealth on the international scale that the Second World War is bringing about, will result in greater demand for transportation facilities. In this country, if the war lasts through 1944, the individual citizens will have accumulated, according to the Department of Commerce, considerably more than $100 billions in bank savings, currency and Government bond holdings in addition to what they owned at the outbreak of the war. If our national income is maintained around $120 billions, then the individual American will also have more to spend from current income.

All this points to considerably larger imports—some of the recent estimates range from $4.5 billions to $6 billions. Presumably the exports will be also larger in view of the increased purchasing power abroad, possibly $7 billions and even more. But increased transportation facilities will also be required for the expanded trade of foreign countries. As the standard of living rises in Russia, for example, there will be a greater demand in that country for tropical products. Similarly Africa's consumption of industrial goods may expand far beyond the present levels.

But this is not all. The passenger traffic which already before the war was the most profitable source of revenue to most steamship and air transport companies is likely to be much larger than prior to 1939. Estimates have been made that overseas travel expenditures may well double or even treble above the 1937-39 level when the American tourists spent abroad about $550 millions a year. If it is true that the cost of a round trip air passage to Europe can eventually be lowered to about $120 or roughly to about one half of the pre-war cost of the steamship passage in tourist class, then travel on the Continent may be within the means (and the vacation time, since Paris may be only about 10 hours distance) of millions of the Americans who, incidentally, also benefitted most from increased earnings during the war. During the most prosperous year between the wars, 1929, about 900,000 people departed from or arrived in the United States from overseas.

Nevertheless despite this really promising outlook for freight and passenger traffic after the war, our present shipbuilding and aircraft production facilities are so enormous that only a fraction of them will be needed for the maintenance of our sea-going and air transport fleets—even if these are several times as large as they were before the war, or even if the Government orders for fighting services or if the exports should be several times as large. In fact, the total number of aircraft owned by American transport companies before the war was less than three days' output of our aircraft companies at present. As to our shipyards, they build at present in less than three months more shipping tonnage than we had engaged in foreign trade prior to 1939.

As a result of our tremendous wartime shipping program—during 1943 and again during 1944 we will have built shipping tonnage equivalent to the pre-war British fleet—we shall probably have by the end of 1944 between 45 and 50 million d.w. tons of shipping. Perhaps one can understand how huge this figure is if one compares it with the pre-war world shipping tonnage which amounted in 1939 to about 76 million d.w. tons (ocean going vessels of 3,000 d.w. tons and over). In other words, we shall have a fleet large enough to carry some two-thirds of the entire pre-war world water-borne trade.

During the latter 'Thirties the United States had an ocean-going fleet of roughly about 13 million deadweight tons. About 2.5 millions tons of this shipping were laid up, about 5.5 millions were engaged in coastwise trade and the rest, some 4 million tons, as will be seen from the accompanying table, was carrying our foreign commerce. In addition there was a fleet of vessels on the Great Lakes, which operated only during the Spring, Summer and Fall,

U. S. AVIATION DEVELOPMENT

	Commercial Planes In Use	Private Planes In Use	Total Air Transportation Personnel	Revenue Passenger Miles Flown (000,000)	Express Carried (000,000 lb.)	Mail Carried Pound-miles (000,000) (Fiscal Years)	No. of Planes Produced
1929	525	9,315	2,345	——	.3	——	6,193
1932	564	9,760	5,610	148	1.0	6,276	1,396
1934	518	7,752	9,995	226	2.1	4,514	1,615
1937	386	10,446	11,592	552	7.1	12,733	3,773
1938	345	10,718	13,309	636	7.3	14,137	3,900
1939	339	12,274	15,923	755	9.5	15,818	6,300
1940	358	16,903	22,056	1,041	12.5	18,701	5,250(a)
1941	359	24,836	23,890	1,369	19.2	22,324	20,000(a)
1942	176	——	——	1,398	40.1	31,438	50,000(a)

(a) Military planes only.

carrying principally coal to Canadian ports and returning with iron ore and wheat. Because of tie-ups between the coal and the iron ore trade, the Lake operations have normally been profitable. The coastwise shippers, while protected from foreign competition, had to keep their rates below those charged by railroads and truck companies.

The vessels engaged in foreign trade, however, had to compete with foreign vessels, operating costs of which were generally low. In addition some of these boats received subsidies from their respective Governments. Hence, to maintain our merchant marine on the high seas, we had to subsidize our own vessels to cover the difference between domestic and foreign costs. The payments were negotiated separately for each ship by the Maritime Commission. Nevertheless the subsidies have not always assured profitable operations, and the earnings of the shipping companies fluctuated with the volume of goods carried.

During the 'Twenties and again in 1937 the volume of cargo tonnage of our water borne imports and exports averaged around 100 millions cargo tons a year. Of this, our ships carried but about one-fourth, the rest going to foreign vessels. The ships of Germany, Italy and Japan alone carried in 1938 over 10 million cargo tons of our water borne foreign trade, or nearly one half as much as our own flag-ships.

How much of the war-built tonnage shall we really need? It seems, from various discussions carried on in this country as well as in Great Britain and elsewhere, that national fleets of individual nations should carry about 50 per cent of the water borne trade of the respective nations. This percentage, advocated here by Admiral Emory S. Land, the War Shipping Administrator, may be regarded as a compromise between the view that we must have a merchant marine commensurate with our post-war navy, to which it will serve as auxiliary, and the view that foreign trade should be carried as economically as possible.

Should about 50 per cent of our water borne trade be reserved for our merchant marine, then on the basis of our pre-war foreign trade tonnage we would need an ocean-going merchant marine of about 8 million d.w. tons apart from the 6 million tons of shipping normally employed in our coastwise trade. But, as was mentioned earlier, increase of 75 to 100 per cent in the volume of our post-war trade is not at all unlikely if we have a national income around 120 billions. On that basis a merchant marine of 15 to 20 million d.w. tons, privately owned and operated, as urged by Admiral E. S. Land, appears by no means unduly large.

In order to improve the competitive position of such a fleet, it is imperative that the slow, outdated ships of our pre-war merchant fleet be replaced with modern vessels such as the Maritime Commission has been building or by the new Victory ships, the production of which began a few months ago.

Nevertheless, even if the operating efficiency of our ships improves and even if our post-war trade expands to keep the ships fully

TRAVEL EXPENDITURES
(in millions of dollars)

Years	Expenditures of Americans Abroad: In Canada-Mexico	In Other Countries	Total	Expenditures of Foreigners in U. S.: Canadians	Others	Total
1919	N.F.	130	N.F.	N.F.	47	N.F.
1920	N.F.	229	N.F.	N.F.	67	N.F.
1925	N.F.	292	N.F.	47	53	100
1926	313	327	640	95	47	142
1928	294	416	710	88	59	147
1929	334	437	771	101	66	167
1932	219	204	423	40	26	66
1933	129	159	288	39	25	64
1937	318	245	563	107	54	161
1938	303	213	516	108	51	159
1939	199	159	358	86	63	149
1940	161	62	223	50	43	93

N.F. Figures not available.

U. S. OCEAN-GOING FLEET AND CARGO CARRIED

	(000,000 deadweight tons) Tonnage of Vessels Engaged in: Foreign Trade	Coastwise Trade	Idle Ships	Total Tonnage	(000,000 cargo tons) Cargo Tonnage of Water Borne Imports and Exports: Carried by U.S. Ships	Carried by Foreign Ships	Total	% of Cargo Carried by U.S. Ships
1923	11.5	5.1	.7	17.3	39.0	53.4	92.4	42.2
1925	5.4	4.8	6.4	16.6	36.9	55.9	92.8	39.7
1927	5.7	5.6	4.3	15.6	40.1	59.0	99.1	40.4
1929	6.2	5.5	3.4	15.1	43.1	65.4	108.5	39.7
1932	4.2	4.9	5.1	14.2	21.4	39.1	60.5	35.3
1934	4.3	5.2	4.3	13.8	22.2	45.4	67.6	32.8
1936	4.2	6.1	2.8	13.1	21.8	56.3	78.1	27.9
1937	4.0	6.6	2.3	12.9	24.3	72.4	96.7	25.1
1939	3.2	6.4	2.6	12.2	20.5	72.1	92.6	22.1
1940	4.1	5.9	1.5	11.5	27.1	67.2	94.3	28.7
1941	4.3	5.8	.2	10.3				
1942est	n.a.	n.a.	——	14.0e				
1943est	n.a.	n.a.	——	28.0e				
1944est	——	——	——	47.0e				

(e) estimates n.a. = not available.

employed—a factor which is by far the most important—it is highly questionable that our ships will be able to operate without subsidies. In all likelihood the costs of operating foreign ships are going to continue to be lower, simply because the higher wages and the cost of accommodation of our ship crews cannot be offset solely by increased efficiency. There will also be a competition for the carrying of the other 50 per cent of our foreign trade in order to obtain dollars, and this consideration too is likely to lower foreign freight rates. Finally, the airplane will probably make serious inroads in mail and passenger revenues of shipping companies.

Moreover, if we are going to retain only the most efficient 15 to 20 million d.w. tons for our national fleet, what is to become of the slow "Liberty" ships and our older vessels, the combined tonnage of which may be 25 to 30 million d.w. tons? Admiral Land remarked recently that we could give them away as lend-lease aid, sell them, charter them, hold them in reserve, scrap them or place them into an international emergency pool.

Probably a little of each will be done. The giving away of our slower ships to such maritime nations as Norway, the Netherlands or Greece, all of which have suffered heavy losses, may provide employment and postpone the building of new shipping abroad which otherwise would only complicate the post-war readjustments. Other ships may be ready for the scrap heap by the time the reconstruction period, which will require more shipping, is over. The proposal of the American Merchant Marine Institute is that there should be created a reserve pool of at least 5 million d.w. tons of shipping. However, if shipping in such a pool is to be effective for defense purposes, it cannot be kept rusting in some port as happened after the last war. It was suggested that such a "security" fleet be used for training and non-commercial purposes in general. Others believe that slower vessels could be used on indirect routes, i.e. in the service between foreign ports, or for tramp shipping.

In view of their experience in international shipping and in order to keep some revenue from carrying the most lucrative passenger trade and mail, the shipping companies are anxious to integrate their services with air transportation. They have been prohibited from doing so under the Civil Aeronautics Act of 1938, which is due for reconsideration by Congress. The integration between shipping and air transport advanced considerably abroad—in France, Germany, the Netherlands—before the outbreak of World War II. The Cunard Line and other British steamship companies have announced their intention of utilizing aircraft with their post-war international services, as has also the Canadian Pacific which already operates rail and motor facilities and air lines at home. More recently, Swedish steamship companies organized an air line which is to supplement their service to the United States.

It is difficult to say how the amendment now before the House Committee on Interstate and Foreign Commerce will fare, but it is rather interesting that recently at the 30th Annual National Foreign Trade Convention, Mr. Juan Trippe, President of the Pan American Air Lines, expressed a wish that steamship companies might join in the creation of one American international air line owned and controlled by all American transportation interests.

This brings up the still highly controversial subject of a single United States air line operating abroad. A big boom in air transport after the war is unquestionable, but it is equally certain that the competition to get business, especially in international transport, will be extremely keen. In the first years after the war, the competition may be limited to the United Nations' organizations only—the British Overseas Airway Corporation, powerful and Government supported, and its Dutch, Swedish, Canadian and perhaps even Brazilian and Polish equivalents.

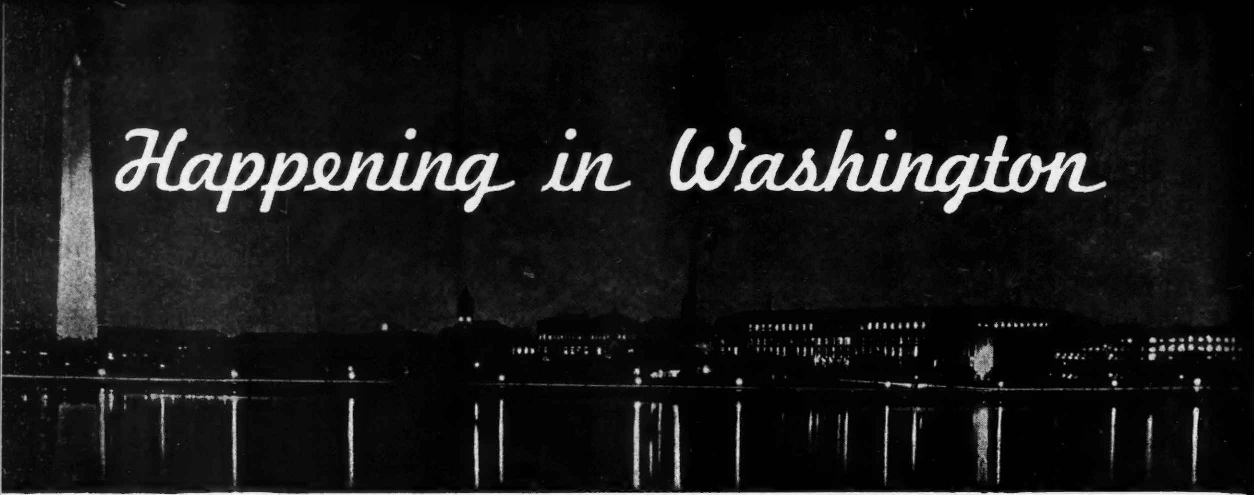
Business would like to see such single line operated privately with close cooperation with the Government, which will have to help such an air line to foreign rights and which will probably have to subsidize flights over certain routes. Mr. Juan Trippe outlined the issues at the Foreign Trade Convention as follows:

"What shall we do? Shall we have ten or fifteen separate American airlines, each competing with the other as well as with powerful foreign monopolies?

A Sikorsky S-42 bringing in men and supplies

Shall we have three or four airlines—each restricted to a separate zone? Britain, France, Germany and Japan tried this scheme for several years and abandoned it in favor of the single company system. Or shall we have one strong American international airline, strong enough to compete on even terms with the great foreign flag air transport monopolies—a community company—owned and controlled, not by any one aviation interest, (*Continued on page* 160)

Happening in Washington



Charles Phe' Cushing Photo

By E. K. T.

Wagner Act nullification by indirection is the result of a ruling by the Comptroller General that NLRB may not investigate complaint cases between management and labor if these agreements were alive more than three months prior to the complaint. The company-dominated union thereby is placed beyond the reach of the statute. Ironically, the AFL metal trades department sponsored the section upon which the Comptroller General's ruling is grounded.

> ### *Washington Sees:*
>
> It would be difficult to find a convincing national trend in the November elections. Except for the New Jersey gubernatorial vote, the status quo generally was preserved, Republicans succeeding Republicans, Democrats taking the places of their own party members. And in the case of New Jersey, a trend was continued rather than established: one year ago a Republican United States Senator was elected to displace an incumbent Democrat in a contest which pitted an outstanding exponent of the conservative school of politics against a front rank New Dealer.
>
> Election of a Republican lieutenant-governor in New York clears the way for Gov. Thomas E. Dewey to respond to the "draft," knowing that the reins at Albany will continue in his party's hands. Dewey says he will not seek the Presidency next year, but polls indicate a contrary belief persists.
>
> The elections, particularly in New York and New Jersey, hint the probability that the Republicans will control the House of Representatives after 1944. The issues and the results were not decisive enough to make President Roosevelt re-examine his own plans for next year.

Clare Luce gave three reasons why her first bill introduced as a member of the House would not be enacted: 1. I am a woman. 2. I am a freshman member. 3. I am a Republican. It appears that the erudite Connecticut legislator reasoned wrong. Her proposal for labor draft of deferred men into a non-uniformed, semi-military corps, to break serious civilian bottlenecks is looked upon as the key to the manpower question. Bipartisan support is growing.

Tax Lobby expenditures of aviation companies—one House Committee witness said $65,000 was raised to fight a single section of the Revenue Act—will prove the peg on which Congress will hang a new probe to find, for publicity purposes, a condition every member knows has long existed. Many successful lobbyists are former Congress members. Fact of the matter is that many members invite lobbyists in to advise with them; could name, offhand, the lobbyist of every major "interest."

Secretary Knox, not singularly successful as a politician and submerged in his present post by the President's bent for running the Navy, may have solved the problem of running a wartime national campaign without disruption at home, suspicion abroad. His suggestion that both parties agree substantially on a foreign affairs plank is being taken up here in the innermost political circles. FDR, loser of part of his principal campaign argument by such a plan, likes it.

Short Memories among Congressmen, many of whom were in office a quarter of a century ago, are leading the country back down the road of the "Bonus Riots" and attendant problems. Bills and suggestions that returning veterans be granted cash allowances or other benefits are cascading into the legislative hopper. After the bonus row, Congress pledged there would be no unfilled promises again. Already there are tacit promises impossible of fulfillment, but which World War 2 veterans will expect fulfilled.

If Southern Members of Congress have their way, Economic Stabilizer Fred M. Vinson will succeed Henry Morgenthau as Secretary of Treasury in name as he virtually has in fact. The tax-laying functions on both sides of the Capitol are substantially in the hands of Southerners and they may work their will.

Never a howling success in appearances before Congressional committees, Morgenthau was especially bad this time. The fact that he was defending a bill not of his own making but the product of Vinson and James F. Byrnes made his task no easier, no more pleasant.

Vinson is a former member of the House Ways and Means Committee—where revenue measures originate. He received a more courteous reception than Morgenthau did when he went to the Capitol to plead the Administration's tax needs. But he didn't sell the bill.

Morgenthau went promptly on a world tour, leaving the job of salvage up to Vinson and Byrnes. Better than he, they could bargain, compromise, set aside revenue raising principles which the Treasury Secretary regards fundamental.

Some home front post-war planning is under way in the Capital in the interest of 3,100,000 civilian workers on the Federal payroll whose agencies, some day, are going to curtail or disband. It isn't a simple matter of dismissing help; government-owned arsenals and shipyards and their employees are involved.

Justice Byrnes has asked each agency to assign at least one competent person to begin planning. The Civil Service Commission is making a study of how to cushion the impact of job losses.

Individuals let out of private war plants will have an advantage. They'll draw unemployment compensation for as much as six months, plus severance pay. Government workers can't cash in on their retirement pay unless they've worked for Uncle Sam five years. Those are few in number.

Reorganization of agencies operating under the ample wing of Leo T. Crowley has abolished the Lend-Lease Administration, but has diffused rather than ended the activity. Lend-Lease will go on as usual but a name becoming increasingly unpalatable to Congress is buried.

In the giant stride, Crowley elected to become an administrator, rather than a coordinator. The former role affords a better perch from which to observe overlapping and grating, to squeeze out unneeded personnel. More than 400 jobs already have been erased from the rolls.

Substitution of Chester Bowles for Prentiss M. Brown as chief of the Office of Price Administration will work no great change in operations. Actually, Bowles has been at the helm since Aug. 1, placed there by unhappy, disillusioned former Senator Brown.

Bowles came in with a tide of Congressional anti-academic feeling, and went along to displace theorists by hardheaded businessmen. The job was a thorough one. Necessarily, policy changed with personnel; simplification moved apace. OPA actually is acceptable to Congress today.

Already apparent in operations of the pricing agency is this switch: instead of selling OPA to the public on the basis of patriotism, the agency is being handled in a manner designed to win supporters as an essential element in a wartime economy.

The Supreme Court ruling that the constitutional right of free speech extends to employers as well as employees would have occasioned blasts from labor quarters in normal times but went unnoticed by the unions, well-fed on paid up war-boomed memberships.

The Connecticut court decision which the high tribunal refused to disturb, gave employers the right to speak their minds up to the point of coercive tactics. What constitutes coercion will be the battleground of a new body of labor law.

Comptroller General Lindsay C. Warren and Under-Secretary of War Robert P. Patterson have fought to what seems a draw on the question whether the former or the latter should clear the audits for war contract termination. They'll each do part of the job, much as they do today. Neither will get the absolute control which was the stake in the fight.

First-paged for a week because it supplied such headline items as payment for false teeth, transportation of dogs, etc., the controversy was not as important as readers might be led to believe. Neither agency is equipped today to do the job. Congress only wanted to know which had the best framework on which to build the super-audit scheme.

U. S. Public Roads Administration, measuring its job for next year, has surveyed states and determined 1944 will begin with four million fewer automobiles registered than in 1941. And registration won't be an accurate gauge of road use. PAW chief Harold L. Ickes says civilian gasoline supplies will be less than ever after the New Year.

F.D.R.'s invitation to industry chiefs to meet with him at the White House was a technic of playing off employers against employees, the latter having shown a tendency to become demanding and to attempt to dictate their terms of continued support of the New Deal.

The invitees accepted eagerly, always hopeful. They found little to talk about. Production is at capacity in virtually every line for which material, plant capacity, and manpower is available. Contract termination is in the study stage. So the talks were general; but worrisome to union chiefs.

By-product of the White House parley was an increasing interest on the part of Washington in the political future of Eric Johnston, young and dynamic head of the U. S. Chamber of Commerce, whose Presidential possibilities are everywhere being analyzed.

The ex-marine who came up the hard way to head the great businessmen's organization and become the first U.S.C.C. chief to call on F.D.R. at the White House, has been the voice of American business in overseas broadcasts. He has toured war fronts. Much as his busy schedule of the past year hints a political build-up, Johnston rejects the implication.

The goal of a five-billion dollar saving in government expenditures to obviate the need for raising an equal amount in tax seems beyond reach when it is suggested that little more than four billion dollars will be spent this year for non-war purposes.

That is the Budget Bureau's reply to the economy bloc, but it will be challenged. Much money entered upon the books as war costs goes to civilian enterprises, it will be established.

New Role For Consumer Credit After The War

Cushing

BY E. A. KRAUSS

By partial and temporary withdrawal from the economic scene, consumer credit like everything else is doing its part to help win the war. It has stepped aside for the duration, thereby contributing towards decreasing purchasing power and minimizing the inflationary perils inherent in a war economy. In a sense, consumer credit is resting up for the big job ahead after victory.

Its post-war task will indeed be important. When peace comes, consumer credit will have to help facilitate the living and occupational adjustments of large segments of our population. The readjustment period, relocation of workers, the establishment of new homes, all will require money and much of it will have to be borrowed. Then there is the job of galvanizing post-war business, of making the most of the nation's augmented production facilities and technical advancement to lick our number one problem, that of maintaining full employment. Great production spells peak employment and with it goes a high national income; but purchasing power is needed to start as well as to maintain it.

True, potential purchasing power is large, due to very substantial war-time savings. Just how large, nobody really knows since available statistics hardly tell the story accurately. There is the question of diffusion, or better perhaps, concentration of war-time savings. Large segments of our population did not enjoy boom earnings during the war; what with higher living costs and heavy taxes, many thousands are hard put to it to make both ends meet. To them, the war has meant, and still means, not only a lower standard of living but a painful reduction of their substance while favored groups, such as war workers and farmers, were able to tuck away tidy sums. But even where savings exist, a sizable portion is likely to be invested in war bonds. Their widespread redemption would undoubtedly go a long way towards creating some of the purchasing power needed to start off post-war prosperity but this would only shift the credit problem from the consumer to the Government at a time when the latter will already be overburdened with debt, financial and contract termination difficulties, when it will be hard to raise additional taxes for the redemption of possibly several billion of war bonds.

To escape or minimize the financial strain threatened by the merging of such demands on the Treasury immediately after the war, it will be found highly desirable that consumer credit be used wherever possible for the purchase of consumer goods. The demand will be overwhelming and it is estimated that billions of dollars of consumer credit will be needed to complete the cycle of post-war prosperity.

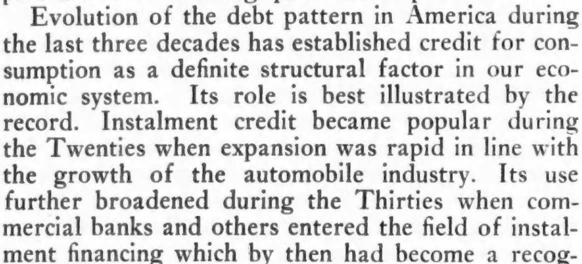
Credit, as we all know, has become an integral part of the peace-time American way of life. Earlier, it was necessary to increase plant capacity to obtain larger production. Today, the large output required for post-war prosperity is not a question of production but of sales and consumption. Where previously business credit was vital, today, and especially after the war, it is consumer credit that demands attention as a means of best aiding expansion and prosperity. With forward planning placing tremendous emphasis on continued full employment, credit selling is bound to play a far more important part in our economy.

The U.S. Chamber of Commerce in a recent study of immediate post-war markets found that 53% of American families want to purchase one or more major articles within six months after the war ends. A list of these articles embraces all types of consumer durable goods, headed by automobiles which are urgently desired by 2,590,000 families. In spite of this buying urge, the survey found that only 26% of the people, on a national basis, will have total accumulated annual savings exceeding 10% of their annual incomes. In fact, despite definitely expressed

buying intentions, most of them are not, on basis of present savings, counting on buying these things for cash. The American habit of instalment buying thus appears to continue to be a major factor in mass consumer purchases. The study proves, rather conclusively, that the public wants great quantities of consumer durable goods and *needs* instalment credit to acquire them. The popularity of this paying technique has certainly not waned during the war despite existing restrictions. Even those with moderate savings, it is found, prefer instalment paying to conserve funds against unexpected needs.

The aforementioned data of the U.S. Chamber of Commerce, and the conclusions attached to them, represent naturally in large part a formulation of trends but the belief is strong that these trends will become effective. Even sponsors of credit control, whatever the shade of their belief, hesitate to advocate abandonment of any major form of credit. To the contrary, it is credit that is being depended upon to avoid a serious slump in business during the difficult transition period. And while curtailment of consumer credit is found desirable for the duration, its expansion after the war, from a purely economic viewpoint, is held equally useful, even necessary. This does not preclude continuation of pre-war trends towards elimination of abuses; rather, as consumer credit gains in importance, so will the pressure for abolishing questionable practices.

Evolution of the debt pattern in America during the last three decades has established credit for consumption as a definite structural factor in our economic system. Its role is best illustrated by the record. Instalment credit became popular during the Twenties when expansion was rapid in line with the growth of the automobile industry. Its use further broadened during the Thirties when commercial banks and others entered the field of instalment financing which by then had become a recognized part of our financial economy. In 1929, outstanding consumer credit rose to a high for that boom period of $7.08 billion. In 1932, it slumped to the depression low of $3.71 billion, recovered to $7.05 billion in 1937 and reached a new all-time high of $9.51 billion in 1941 when sales of consumer durable goods were heavily spurred by expectations of war restrictions. When these finally materialized, in 1942, consumer credit dropped to $6.09 billion; actually the decline was due to three factors—the decrease in credit as automobiles and appliances disappeared from the market; the decline due to the control of credit in the purchase of other items, and increased cash buying. By April this year, outstanding consumer credit had further declined to $5.21 billion, and a steady but more rapid drop since then is indicated. In fact, consumer credit now appears to be liquidating at the annual rate of about $2 billion with the shortage of durable goods rather than existing credit control the primary factor. Taxes, war bond purchases and increased cash buying also contribute.



War-Time Control

Credit control, embodied in "Regulation W," went into effect in September 1941. Originally intended to curtail demand for metallic goods and facilitate the transfer of productive resources to the defense industries, it was frequently revised and tightened until its chief aspect had become strictly anti-inflationary. This aspect continues to grow in importance as time goes on and though at the moment still subsidiary, the creation of a strong dammed-up demand for durables after the war will eventually be of primary importance.

Regulation W, a war measure, rests for legality upon certain war or emergency legislation. When peace comes, its continuation beyond the emergency period would seem to require a Congressional statute which might or might not be enacted. However, its extension into the peace era is not a likely possibility. Granting the desirability of better control of business cycles, notably depressions, there would be no logic in proposing credit control *alone* as a full stabilizer, as is occasionally being done by those who see in expanding consumer credit the source of many of our economic ills. At best, credit control might become an inevitable part of an over-all program designed to effect such economic stabilization.

For the moment, however, everything points not only to rapid post-war recovery of consumer credit as a vital service but to unprecedented growth as well. Just what its post-war potential will be, depends on a variety of factors. There is, first of all, the latent purchasing power of the public, estimated at some $90 billion by the end of this year, in the form of savings but we know little about their distribution, an important point. Post-war economic conditions, including employment and taxes, and their effect on spending mentality, are other vital determinants. The method of handling war bond redemption is no less important in shaping the post-

war role of consumer credit. Should large-scale redemptions, over a certain period, be discouraged, credit demand conceivably would rise very materially, affording a lucrative field for finance companies, virtually free of risks if bonds are held as collateral for loans. However, bank competition may force relatively low profit margins on this type of business though the strong position and experience of the finance companies will work in their favor.

Outstanding consumer credit in the past five years averaged some 12% of annual national income. If after the war, national income is maintained at around $100 billion, regarded by many as the very minimum for carrying our debt load, consumer credit could easily rise, on past experience, to some $12 billion even without allowance for any appreciable post-war buying rush. This would be over twice the amount outstanding early this year, and roughly one-third more than the 1941 peak. In that year, instalment credit alone (as distinct from total consumer credit) amounted to $5.9 billion or 63% of all outstanding consumer credit. Assuming the same relationship, potential instalment credit after the war may thus reach some $7.5 billion. While such calculations are tentative, of course, they do serve to point up the potentials of the finance companies; obviously, they are very considerable. As to prospective earnings, they will be governed by the usual cost factors, principally the cost of money. In conformity with low interest rates, service charges were on a downtrend for several years past and are expected to have reached their lowest point. Overhead has been rising, mainly owing to higher salaries (an important cost factor) and is likely to continue above pre-war after the war. Stronger bank competition may perhaps turn out the most important income determinant.

Since the main business of instalment finance companies will not recover until after the war, market action of their stocks will try to appraise the probable length of the conflict and evaluate the steps taken by the various companies to bolster declining earnings from financing by investing their liquid funds in other lines. As receivables drop to the vanishing point, finance companies gradually assume the character of investment companies, with their equities selling at a discount from net asset value while this condition lasts. Rapid post-war recovery prospects, however, is providing strong market support, especially for the equities of the two leading companies in the field.

Commercial Investment Trust Co. was hard hit by virtual disappearance of the automobile finance business, normally its principal activity, and the sharp decline of other receivables resulting from war-time restrictions on the manufacture of consumer durable goods. Some support is provided by its well integrated position, including its highly profitable insurance and factoring interests, and new commitmets in other enterprises, mostly in the manufacturing field. Further diversification is being contemplated by the management. The company's war-time record is highly illuminating. 1941 volume of business reached the huge total of $1638 million with receivables outstanding at the end of the year amounting to $585 million. For 1942 these figures were $779 million and $228 million respectively. During the first half of this year, volume was $340 million (last year $432 million) whereof $288 million from factoring, while receivables at midyear were $136 million (last year $418 million). 1942 earnings consequently dropped to $3.96 per share from $4.78 in 1941. This year, first half net was $1.72 per share compared with $1.89 last year. While instalment financing continued to shrink sharply, highly satisfactory earnings from its insurance and other interests were responsible for the well maintained results during the first six months.

Income from financing operations is likely to become negligible in the second half and profits will depend upon earnings from subsidiary interests which are all doing well. Net for the year is estimated to approach $3.10 per share, aided by sharply lower expenses, and 1943 dividends should be at least $2 against $3 last year, $4 since 1938.

Financially, the concern is all set for huge post-war business. Bank loans have been entirely paid off. Long-term notes at midyear were $30 million against $49.51 million at the end of 1942. Cash and marketable securities total $57.36 million against current liabilities of $60.68, and thus far exceed the long-term debt. On June 30, the outstanding 95,441 convertible preferred shares were called for redemption. In short, as receivables declined, the resultant surfeit of liquid funds was utilized to retire progressively outstanding obligations previously assumed to (*Please turn to page* 154)

TOTAL CONSUMER DEBT

(Estimated amounts outstanding. In millions of dollars)

Dec. 31	Instalment Debt: Automotive Sale	Other Sale(a)	Cash Loans(b)	Total	Other Consumer Debt(c)	Total Consumer Debt
1942	496	1019	1428	2943	3147	6090
1941	1942	1805	2174	5921	3591	9512
1940	1729	1721	1984	5434	3333	8767
1939	1267	1525	1559	4351	3167	7518
1938	970	1343	1226	3539	3079	6618
1937	1384	1368	1167	3919	3135	7054
1936	1288	1147	1030	3466	2930	6396
1935	940	865	794	2599	2549	5148
1934	576	741	529	1846	2313	4159
1933	459	663	459	1581	2136	3717
1932	322	677	516	1515	2331	3846
1931	637	958	619	2214	2963	5177
1930	928	1104	674	2706	3635	6341
1929	1318	1197	652	3167	3922	7089

(a) Includes time sales of Dept. Stores and mailorder houses; furniture, household appliances, jewelry and other retail stores.

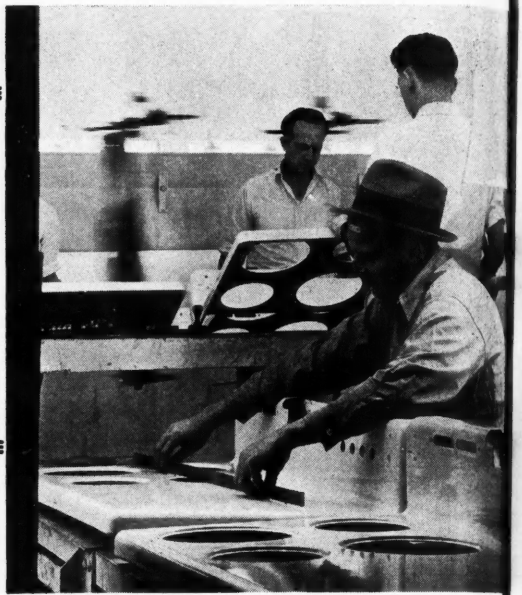
(b) Includes repair and modernization loans.

(c) Includes single payment loans of banks and pawnbrokers, charge accounts and service debts.

Source: Federal Reserve Bulletin.

The Coming Boom in Household Equipment

BY GEORGE W. MATHIS



In the days before Pearl Harbor, Westingho Electric & Manufacturing Co., produced thous of electric kitchen ranges

"HOME equipment" covers a great variety of things, incuding carpets, rugs and furniture, refrigerators, vacuum cleaners, electrical appliances, washing machines, sewing machines, stoves, and oil burners. In some of these lines, present homes are in need of large amounts of new supplies, which might include some of the more perishable electric appliances such as toasters. In some others, the cessation of manufacturing during the war has caused a small deficiency in the replacement field, as in refrigerators, washing machines and vacuum cleaners. Supplies of floor coverings have held up even with an increasing demand, even in war time. It is not in most cases to the present consuming sources that the business will mainly look for boom conditions.

The projected great expansion in building of private homes and apartments after the war should benefit the makers of home supplies. Unless all signs fail, within three or four years after the war there may be upwards of 3,000,000 more homes and apartments than there are now. Many of them will be filled by the newly-weds of the past two years and the next three or four. Many people who have given up homes to move to congested war-plant communities will be in the market for furnishings when they return to house-keeping again. With the country having billions of dollars in savings when the war ends, a considerable part of it will go into these new homes, and into new rugs, carpets, refrigerators and other things for the home. It is from these developments that two years or more of boom conditions in house furnishings can be expected after the war.

The length of time it will take to get back into production of peace time goods when the war ends will vary. In rugs and carpets, no lag is indicated. In linoleums, possibly a matter of a few weeks delay is all that is looked for. In the heavier items such as washing machines, electric refrigeration and stoves, it may be several months, as some of the plants have been engaged in war work and have t change their machinery and in others it may tak some time to get essential metals which are now no available.

There are dozens of companies not covered in thi study which are partly in this field, of which mentio might be made of General Electric and Westinghous Electric in refrigerators, vacuum cleaners, washin machines, electrical appliances, etc.; Philco, Genera Motors and several others in refrigeration; Florenc Stove and Kalamazoo Stove. In the furniture field there are innumerable companies, but few whos stocks have a wide public interest outside of Simmons Co., although The Mengel Company may resume an active place in furniture making after th war, following its start in this business in recen years.

Below are statistical and business facts about som of the companies which should benefit most intensel from a boom in sales of household furnishings an equipment.

American Stove Company is the largest maker o various kinds of stoves in the country, although i has ceased making them for civilian use and is engaged almost entirely in this work for the government, and in making munitions. Its products includ oil and gas ranges and stoves, gas heaters, oil burnin heaters and furnaces, coal and wood cooking range and large installations of cooking apparatus fo hotels and restaurants. During the earlier days o the war, it installed complete cooking equipment i many military camps and in war plants. The company's plants are in various parts of Illinois, Indiana, Ohio and Missouri. The company has n bonds or preferred stock, with 539,990 shares o

no par common. Dividends have been maintained at the $1.20 rate this year, although earnings have declined because of the falling off in government orders for stoves for camps. The gross in 1942 was about $12,500,000 against over $6,000,000 more than that in 1941. Net income for 1943 may fall below $1 a share, against $1.12 in 1942 and $2.62 in 1941. The postwar building boom should restore the former earning power. The financial position is strong with $7,562,586 current assets and $608,544 current liabilities at the end of 1942, leaving $6,-954,042 working capital. The net equity value of the stock at the end of 1942 was $24.70 a share.

Artloom Corporation makes a number of upholstery fabrics, carpets, and rugs which are sold under various trade names. Some of its mohair fabrics are used for furniture and others for automobiles. The company is a combination of several corporations of long experience, some of which date back to the 1880's. The main plant is located in Philadelphia. There are no bonds, with the outstanding capitalization consisting of 4,199 shares, par $100, of 7% preferred, which are callable at 100, and 200,-000 shares of no par common. The company has had fair earnings in recent years, but reported deficits in much of the period from 1930 to 1937. In 1938 and since then, earnings have been above $1.00 a share in each year, with possibilities of about $1 for 1943. Some war work has been booked and most raw materials for civilian customers have been obtainable. After a long lapse, dividends were restored in 1941 and have continued since. Current assets of $2,110,641 on December 31, 1942 were $1,392,915 in excess of current liabilities. The net equity of the common stock on that date was $14.57 a share.

Bigelow-Sanford Carpet Company, Inc., has had a sharp decline in earnings so far this year, with a deficit equal to 33 cents a share in the first quarter and net of 82 cents in the second quarter, making 49 cents a share for the first six months. This compares with earnings of $4.37 in 1942 and $6.01 in 1941. For a long period of years, the average income of this company has been quite irregular, however, even though the 1939-1942 average was $5.73 a share annually. There were some years before that with large deficits, or a small net per share, and others with $3 to $9 a share for the year. The company has taken an important part in war production, converting its looms to making Army blankets and cotton duck for the Army and Navy. It is planned to return to producing carpets and rugs as soon as possible after the war ends. In 1942 gross business was $41,511,394. The company has no funded debt. There are 26,403 shares of non-callable 6% preferred, par $100 and 313,609 shares of no par common. Dividends on the common have shown the same irregularity as earnings, with $3 to $4 a share in some years, nothing in others and in the past two years a $2 rate has been paid. The financial position is very strong, with $19,063,558 current assets at the end of 1942, which were $16,-798,821 above current liabilities. The net current assets equalled more than $53 a share on the common stock.

Congoleum-Nairn, Inc. is one of the largest makers of linoleums and felt base floor coverings. Its products are sold under several trade names including Congoleum, Sealex, Sealex Veltone and Adhesive Sealex. It has developed in recent years a linoleum for wall covering in place of tile, wood, or wall paper. It is also in the building supply field, with products for roofing, using asbestos and other raw materials. A subsidiary makes felt products as well as supplies the parent company with felts for its linoleums. The company has two plants in New Jersey and one each in Pennsylvania and Maryland. The Government has used a considerable amount of the regular products and some special ones in army buildings and war plants. Civilian sales have been on a smaller scale, due mostly to curtailed supplies of raw materials. The earnings have held fairly well in the war period. For ten successive years starting in 1933, the earnings were better than $1 a share in every year and in some were over $2. In 1942, net was $1.29 a share and 1943 income may be close to that figure. Dividends have been paid every year for a long period. The indicated total for 1943 is $1, as compared with $1.25 in 1942. Congoleum-Nairn has no bonds or preferred stock, with 1,-243,000 shares of no par common outstanding. The financial position is excellent, with working capital at the end of 1942 at $15,-163,294. In the total cur-

STATISTICS OF SELECTED HOME EQUIPMENT COMPANIES

NAME.	Dividends Per Share 1943*	1942	1941	Earnings Per Share 1943	1942	1941	Recent Price	Price Range 1936-1943 High	Low
American Stove	$1.20	$1.20	$1.20	$0.60(a)	$1.12	$2.62	17	25½	6⅜
Artloom Corp.	0.40	0.50	0.77½	0.57(b)	1.07	1.18	9	22⅛	2½
Bigelow-Sanford Carpet	1.50	2.00	4.00	0.49(c)	4.37	6.01	37	69¾	14
Congoleum-Nairn	0.75	1.25	1.50	0.53(a)	1.29	1.62	22½	45½	12½
Eureka Vacuum Cleaner	0.37½	0.10	——	2.08(d)	2.09(d)	def. 2.35(d)	8	15⅞	1¼
Maytag Co.	——	——	——	0.13(a)	def. 0.20	0.66	5½	21½	1
McGraw Electric	1.00	2.00	2.00	1.75(e)	2.11	2.92	27½	29	10
Mohawk Carpet Mills	2.00	2.00	2.00	1.48(c)	3.03	3.62	30	40⅞	9½
Nash-Kelvinator	0.37½	0.50	0.37½	0.33(a)	0.75	1.06	12	24⅝	3
Servel, Inc.	1.00	1.00	1.00	0.62(f)	0.69(g)	1.17(g)	17¾	34	4½
Simmons Co.	0.50	1.25	2.00	0.96(a)	2.71	3.55	25¼	58	11⅜
White Sewing Machine	——	——	——	def. 0.33(a)	0.79	1.69	6	7¼	1¼

*paid or declared to date

(a) six months to June 30
(b) 28 weeks to June 19
(c) 6 months to July 3
(d) year to July 31
(e) 12 months to June 30
(f) 9 months to July 31
(g) year to October 31

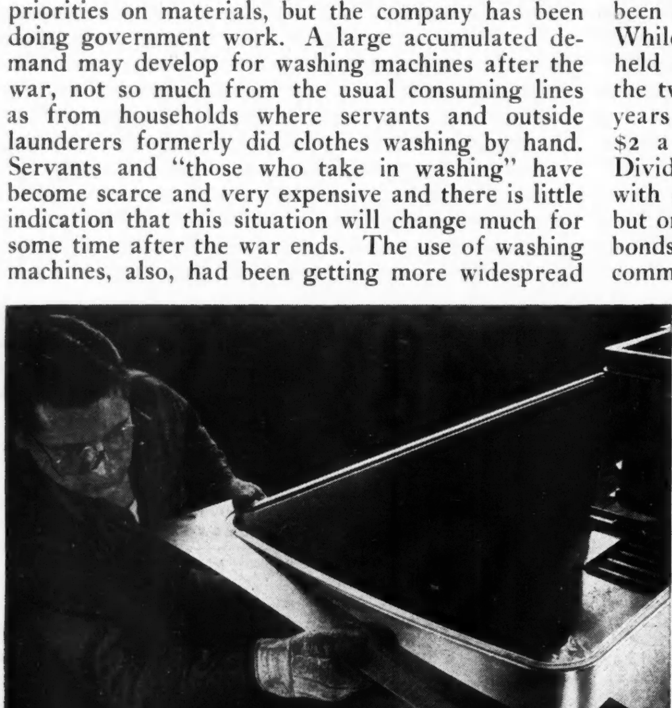
rent assets of $18,387,156, cash, U. S. securities and tax notes totalled nearly $10,000,000.

Eureka Vacuum Cleaner Company is doing better in war work than in its pre-war activities, in the way of earnings, showing $2.09 a share in 1942 after over four years prior to that in which earnings were small or deficits reported. In the early 1930's, however, fair earning power was shown and in the 1920's, some large earnings were reported. The company normally makes various types of portable vacuum cleaners and parts. Many of the big electrical goods makers are in this business and competition is severe. As the making of cleaners was suspended early in the war, it is expected that a large accumulated demand will be found when peace is restored, and they may be purchased for the majority of the new homes in the postwar building boom. Eureka has no bonds or preferred stock. Common shares total 232,919, of $5 par value. Dividends were paid in many years in the 1920's and early 1930's, with nothing after 1937 until 1942 when 10 cents a share was paid and 37½ cents has been disbursed so far in 1943. At the end of 1942, net current assets were $1,351,848.

Maytag Company is the largest maker of washing machines in the United States, with its sales estimated at well over 30% of the total for the country in pre-war days. The production of them for civilian use was suspended in 1942 owing to priorities on materials, but the company has been doing government work. A large accumulated demand may develop for washing machines after the war, not so much from the usual consuming lines as from households where servants and outside launderers formerly did clothes washing by hand. Servants and "those who take in washing" have become scarce and very expensive and there is little indication that this situation will change much for some time after the war ends. The use of washing machines, also, had been getting more widespread before the war started. New homes can be expected to have an increasing proportion of them. The company also makes electric ironers and various other devices for laundering clothes. Earnings of the company have been small for many years but a fair postwar improvement might have reflection in a better market position for the common stock. The company has no funded debt, and two classes of preferred consist of 32,210 shares of $6 first preferred of no par value and 265,686 shares preference stock of no par value. The latter is entitled to a $3 annual dividend. In 1943 to date, the preference has received $2 dividends, and there is $2 per share accrued dividends on it. The company had large earnings on the common and paid large dividends in the 1920's, but only a few small disbursements have been made on it in the past thirteen years, with nothing since 1940. There are 1,617,921 shares of no par value common. Working capital at the end of 1942 was $5,372,382 and the book value of the common stock was $19.85 per share.

McGraw Electric Company makes many household electrical appliances for toasting, waffles, etc., including Toastmaster and Wafflemaster, also a number of electrical products such as fuses, lamps, etc., but its home appliance business has become the most important and has the best promise for postwar development. The normal products have been discontinued for the duration and the company has been engaged in war work in the past two years. While this has been less profitable, earnings have held fairly well, with $1.75 a share reported for the twelve months to June 30, 1943. In the seven years from 1936 through 1942, earnings were above $2 a share each year and averaged over $2.50. Dividends have been paid for a number of years, with a $2 rate, or more, in the 1940-1942 period but only $1 thus far in 1943. The company has no bonds or preferred, with 472,600 shares of $1 par common. The common sold at 29 recently, its highest price, which had been reached only once before. Working capital at the end of 1942 was $3,191,028.

Mohawk Carpet Mills, Inc., is one of the largest makers of rugs and carpets, also having a department which makes floor coverings for automobiles. It has been in business for a long period of years through its predecessors who combined to form the present company in 1920. The company has distributed its products entirely through wholesalers in the past. As have other carpet companies, Mohawk has taken an important place in the war effort, making blankets for the armed forces and huge quantities of cotton duck, on looms that were built to weave Chenille, Wilton and Velvet carpet. Some tarpaulins as big as 32 by 40 feet have been made by this company, weighing up to nearly 300 pounds each, to be used for covering tanks and big piles of supplies for the armed forces. Processing problems of making them water, mildew and (*Please turn to page* 153)



A refrigerator taking shape at the plant of the Westinghouse Electric and Manufacturing Co.—that is, way back when

Importance of the Government's War-Time Anti-Trust Policy

BY JOHN D. C. WELDON

THERE is ample evidence that another anti-trust crusade is in the making. Those in the know predict it will easily match in fervor the campaigns of the Thurman Arnold days. In a way, it marks the beginning of the second phase of the Government's war-time anti-trust policy. But probably more to the point is the assumption that we are witnessing the initial stages of a broad post-war assault on industry.

When war broke out, expectation was general that anti-trust enforcement would be soft-pedaled at least for the duration so as not to hamper the war effort. Both the Army and Navy poured water of the fires of the crusading spirit and enforcement was consequently limited to the breaking up of monopolistic arrangements in which German industries were involved. These cases were handled with dispatch and cooperation of the American companies concerned. The aim, to free the war effort from restrictive agreements in many vital fields, hardly permitted of disagreement. Outstanding cases include those involving optical goods, pharmaceuticals, magnesium, berylium, tungsten carbide, high-octane gasoline, synthetic rubber and a variety of drugs and chemicals; also plexiglass and the important chemical munitions component, tetracene. This series of prosecutions constituted the first phase of war-time anti-trust action, strictly serving war purposes in the first instance.

The impending campaign is of another color. Wendell Berge, formerly Mr. Arnold's right hand and now Assistant Attorney General, has been told to go to town, so we hear. The fires of enforcement are once more to be rekindled. Mr. Berge, it is understood, will attack international arrangements involving not only German but also British, Swedish and Dutch interests. He intends, according to advance reports, to launch indictments or civil proceedings against members of the chemical, aviation, vitamin, electrical equipment and cutting tool industries, among others. He is reported to be after the "big shots," including one of the leading British corporations. Recent personnel changes in the anti-trust division of the Department of Justice have been widely interpreted as heralding a stiffer attitude in the whole matter of anti-trust prosecution. It has strengthened the belief that cases so far held up because of fears of hindering the war effort will soon be dragged out again, and new ones initiated.

The parade has already started off with a recent statement of Mr. Berge before the Senate War Mobilization Sub-Committee, charging the Wisconsin Alumni Research Foundation with being a screen "behind which a group of monopolistic chemical, pharmaceutical and food companies control Vitamin D." A number of well-known corporations were mentioned as licensees of the Foundation which controls the famous Steenbock patents for production of high-potency vitamin D., recently invalidated by a Court of Appeals. The Foundation was also accused of having organized cartels with a German and British concern to eliminate world competition. Foundation officials read into Mr. Berge's charges the threat of a quick anti-trust suit when and if the Supreme Court, in reviewing the lower court decision, rules in their favor.

More recently, the Department of Justice filed a civil complaint against Merck & Co., largest producer of pharmaceutical chemicals in this country. It charged maintenance of a cartel arrangement with a German concern, covering some 400 pharmaceuticals and chemicals. Merck & Co., formerly a major outlet for the now paralized Dutch quinine cartel, is among other things an important intermediary

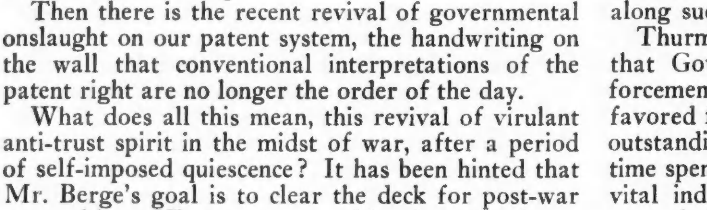
producer of the synthetic anti-malaria drug, atabrine, under license from Winthrop Chemical Co., subsidiary of Sterling Drug Inc.

Thus far, these are the only more concrete cases marking the beginning of the new campaign. More are expected in short order. But there are other straws in the wind. One, still shrouded in a good deal of mystery, is Vice President Wallace's sudden assault on Wall Street's alleged "stranglehold" on the nation's railroads, and its intention to grab monopolistic control of other transportation media, notably air transport. The attack which was sharply critical of the railroads themselves, reminds us that long ago Commissioner Eastman predicted that the only satisfactory solution of the railroad problem would be public ownership because the American people would not endure monopolistic control of transportation. It is a situation which will bear close watching. But why this sudden flare-up, and what is behind it, are meanwhile questions asked by many.

Another case in point is Attorney General Biddle's strong opposition before a congressional committee to pending legislation which would exempt the insurance business from the application of the anti-trust laws. If such an exemption were granted, Mr. Biddle opined, there would be a "no man's land" of tremendous price fixing which the Government would be powerless to stop.

Then there is the recent revival of governmental onslaught on our patent system, the handwriting on the wall that conventional interpretations of the patent right are no longer the order of the day.

What does all this mean, this revival of virulant anti-trust spirit in the midst of war, after a period of self-imposed quiescence? It has been hinted that Mr. Berge's goal is to clear the deck for post-war competition. His targets are said to be not only restraints on production but high profit margins as well.



Gendreau

Department of Justice Building, Washington, D. C. Here anti-trust cases are being prepared for prosecution in the courts

It is believed the move constitutes an integral part of official post-war planning; as such it is of very considerable significance. Many shrewed observes think it may well represent—in New Deal language—"the next step" of making industry serve the general welfare. In anti-monopoly circles the question has been asked, and is now repeated ever more insistently, why our economy in spite of our up-to-date technology, our wealth of material and human resources does not operate more efficiently in peace time. The problems of surplus capacity, unemployment, under-consumption and inadequate living standards have all been attributed by them to faulty organization of industry. To correct it, Federal oversight of the national economy has been called a matter of course. The anti-trust laws were laid down as a defensive wall about "laissez faire"; the new thinking, it appears, is grounded upon other assumptions, and economic creeds other than free competition have arisen to dispute industry's foundation.

Thus one must ask oneself whether back of the official mind is merely the question of establishing consumer sovereignty and freedom of independent enterprise, or whether the newer economic creeds pressing for broader control will avail in our post-war set-up. After all, the reconversion period with all it means offers a rare opportunity for experiments along such lines.

Thurman Arnold has once expressed the view that Government spending without anti-trust enforcement is simply the distribution of bonuses to a favored few. Spending has certainly been one of the outstanding characteristics of the New Deal. War-time spending, the investment of huge sums in many vital industries has further fostered the tendency towards bigness in industry, with the increment of economic power that goes with it. Thus Senator O'Mahoney, in his committee report on Industrial Reorganization to the Post-War Planning Committee warns that when "we undertake the task of reconversion, we shall find large industrial units which now sit in the drivers' seats, in a position to dominate the new economy just as they dominate the war economy unless we continue Government control in the transition period."

It is hardly thinkable that Government, after the war, will leave undisturbed the economic power thus created. Indeed, the first glimpse of post-war ideas now fermenting in official circles are indicative of the trend of thought. Senator O'Mahoney, chairman of the post-war policy committee, for example has put forward the following tentative proposals. (1) Incentive taxation; that is a change in the tax laws to encourage the smaller enterpreneur. In other words, taxation of bigness. (2) Federal incorporation; a requirement that corporations meet standards to be laid down by the Federal Government; that

these standards guarantee protection to the smaller businessman and limit monopoly practices among the larger industries. (3) Patent law changes; a limitation of the right of companies failing to exploit the patents they own, and an appropriate check on the use of the patent laws to protect monopoly.

Supplementing these latter proposals, Vice President Wallace is telling congress that (1) There should be a central Federal authority to coordinate the Government's increasing scientific work (sic) to bring scientific findings into proper focus. (2) Every business should have access to patents and research carried on at Government expense. (3) Technical information centers should be set up to aid small industry.

All these proposals, singly and in toto, point to aggressive action against big business. It is too early to say how much will come of it but they do point out the trend of thought, a trend which now turns out to have been only very temporarily submerged by war. With peace nearer, we witness its resurgence, none the worse for its temporary obscuration. Clearly, what is behind all these moves and preparations appears to be the determination to pave the way for *production for use* rather than for profit in the post-war era.

Political Motives

Not only peace is nearer; elections are approaching as well. Hence the re-emergence of original New Deal thinking at this particular juncture highlights political implications perhaps more than anything else. It serves notice, and probably is intended to do just that, of the Government's determination to assure fullest employment after the war, if necessary by travelling farther along the road to socialism than ever intended before.

The war has given Government excellent weapons. By virtue of its huge plant investment in many industries, it holds potent means of directing, even dictating business policies of the future. The manner of liquidating these commitments may usher us into a free or a controlled economy. Congress in enacting a policy for contract termination and disposal of war surpluses is shaping the instruments which may either help or paralize industry. It may adequately safeguard private enterprise or leave it exposed to such an exit from the war that it will fail in its first test for survival, that is in providing full and steady employment. Hence the importance of congressional action, the momentous hazard which underlies the war liquidating measures before it, can hardly be over-emphasized.

The post-war thinking now prevalent in many official quarters and the resurgence of the old anti-trust spirit seems almost indicative of expectation that industry may fail in this important test, that Government is preparing against the day when it must assume the task of exercising broader economic powers than ever before. True, this is a hypothesis but one that cannot be ruled out. Manifestly, it will be a stupendous job to absorb the millions of service men and war workers. If industry cannot do it, Government will do it. Has Government already concluded that industry is not up to it? Is the renewed anti-monopoly agitation a precursor of coming accusations that monopolistic practices are hindering the building of a sound post-war economy, that Government therefore must step in to safeguard employment? Or is it merely a "bogey" to frighten industry into bowing gracefully to Government direction?

Also, what about 1944? To what degree are these moves intended to assuage the farmer, alienated by the President's farm price subsidy policy, and labor, discontented with wage control? These are legitimate questions which naturally arise at this time. Is industry again to be held up as the monopolistic exploiter of the people, to regain the confidence and support of disgruntled labor, itself by official sufferance perhaps today's most powerful monopoly? Only time will tell but these are pertinent questions well worth our attention.

In the foreign field, anti-trust agitation has interesting connotations. Britain strongly favors a cartel basis for post-war world trade. U. S. sentiment on the other hand is consistently whipped up against cartels as running counter to our concept of economic democracy. This gives a hint of the problems that may lie in the path of a booming post-war world trade.

True, foreign trade has been among the exceptions in the application of the anti-trust laws, and foreign trade associations have long been legal under the Webb-Pomerane Act. Still, foreign trade on a cartel basis does not go well with domestic emphasis on free competition, with tearing down alleged monopolies at home while encouraging them in our commercial relations with the rest of the world. The clash is too (*Please turn to page* 160)

He, too, is working for a monopoly. His union limits the size of his paint brush so as to force employment of more men

Changes Ahead

For The

Tobacco Stocks

Preparing Cigarettes for Packaging

BY STANLEY DEVLIN

THE tobacco industry is somewhat similar to the utility industry in that the benefits resulting from a continually mounting volume of business have been largely lost due to heavy taxes. Moreover, the industry has been highly competitive, particularly the cigarette division, and advertising appropriations have been heavy in relation to revenues. However, the strong financial position of leading companies, together with the practice of maintaining large inventories, has helped to stabilize earnings and dividends.

In recent years the three leading cigarette brands have lost ground moderately, while two others have gained sharply. Thus Lucky Strike (American Tobacco) dropped from 39 per cent of total sales for leading brands in 1931 to an estimated 25 per cent last year, Camels (R. J. Reynolds) dropped from 29 per cent to 23 per cent, and Chesterfields (Liggett & Myers) declined from 20 per cent to 17 per cent. On the other hand, Philip Morris grew from less than 1 per cent to 10 per cent, and Raleigh (Brown & Williamson) to 6 per cent. Old Gold (Lorillard) dropped from 7 per cent to 3 per cent in 1941, but gained in 1942-3.

During depression periods the 10 cent brands, such as Twenty Grand and Wings, enjoy temporary popularity. Production jumped from less than 1 per cent of the total in 1931 to 10 per cent in the following year, and succeeded in holding or improving this level until last year, when the proportion dropped to 6 per cent; some further decline in 1943 appears likely. Miscellaneous brands usually account for between 5 and 10 per cent of the total.

Despite the rapid gains in sales, net income for the "big four" cigarette producers has shown a moderately declining trend in recent years. Even Philip Morris, which enjoyed sensational gains in the early 1930's, has now "leveled off." Offsetting the huge sales to the armed forces and lend-lease, as well as an increasing civilian demand, costs and taxes have risen sharply and Federal restrictions have prevented corresponding increase in cigarette prices, which have been "pegged" so far as the net price to the maker is concerned. The average cost of 1942 crop tobacco was 37 per cent above that for 1941. Due to the custom of storing a three years' supply of tobacco, the cost of the raw material for any one year reflects the average purchase price during the preceding three years. Hence, the companies are only now beginning to feel the sharp rise in tobacco prices. It is estimated that the average cost this year will run about 36 per cent higher than in 1942. While some increase in prices has been permitted for the cheaper cigarettes recently, no increase for the standard brands appears likely at this time.

The outlook for 1944 thus appears somewhat unfavorable unless a moderate price rise is permitted. Nearly half of the 1943 flue cure tobacco crop will be allocated to friendly nations, and hence domestic users will be restricted. Leading cigarette companies will find it necessary to draw on their inventories to make up the balance or else cigarettes must be rationed (some informal rationing by shopkeepers has already occurred), since the companies have placed sales on a quota basis.

Tobacco is about the only farm commodity on which production is still restricted. This seems illogical, but growers have profited from crop restrictions and don't want to see the plan abandoned. They are afraid that the low prices of 1938 (when tobacco was only about one-third of the present 42c price "ceiling" will return if production gets out of hand after the war.

The cigar companies have a more favorable earnings positio.. than the cigarette companies. Prices were raised about a year ago and the industry always benefits by the trend toward higher priced brands during periods of prosperity.

Demand for snuff has recently been rising rapidly, for a peculiar reason—the ban on smoking in war plants—and this may help retard the declining earnings trend of this branch of the tobacco industry.

Data on leading companies in each group—cigarettes, cigars, wholesale tobaccco and snuff—is pre-

POSITION OF TOBACCO STOCKS

	Div. Rate About	Yield About	Estimated 1943 Earnings	Price-Earnings Ratio
CIGARETTE COMPANIES				
Liggett & Myers B	$3.25	4.9%	$4.25	16.0
American Tobacco B	3.25	5.5	4.40	13.4
R. J. Reynolds B	1.40	4.8	1.75	16.6
Philip Morris	4.50	5.6	6.25	13.0
P. Lorillard	1.20	7.1	2.00	8.5
CIGAR COMPANIES				
Bayuk Cigar	1.50	5.8	3.50	7.4
Consolidated Cigar	1.50	6.8	3.50	6.3
General Cigar	2.25	7.8	2.50	11.6
Deisel-Wemmer-Gilbert	1.50	8.4	2.50	7.2
WHOLESALE COMPANIES				
American Sumatra	2.00	6.7	4.00	7.5
Universal Leaf	4.00	5.9	6.00	11.4
SNUFF COMPANIES				
U. S. Tobacco	1.20	5.5	1.25	17.7
American Snuff	2.40	5.9	2.10	19.6

sented in the accompanying table and supplemented by the following comment:

Liggett & Myers is best known for its Chesterfield brand, which ranks third in the cigarette industry, but it also produces the old-fashioned Fatima, Piedmont and two ten-cent brands. Its smoking tobaccos include Granger Rough Cut, Duke's mixture and Velvet; it also makes Star, Horseshoe and Masterpiece chewing tobaccos and Recruit little cigars.

Earnings have declined from $7.25 a share in 1936 to $4.56 last year but the stock is still highly regarded by investors. Funded debt amounts to nearly $22,000,000 and preferred stock to $21,000,000, providing moderate leverage.

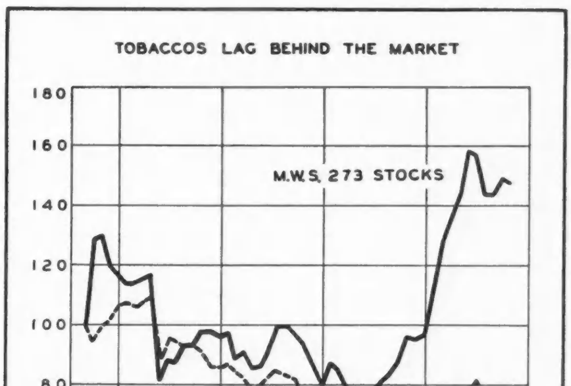
American Tobacco, largest of the cigarette companies, has assets aggregating $380,000,000. Earnings have been quite stable, averaging about $4.50 in the past decade. Substantially, all earnings were paid out until last year, when the dividend rate was reduced to $3.25 as compared with the old $5.00 rate. The dividend record dates back to 1905. Funded debt and preferred stock are now fairly heavy in relation to common. The company produces 16 cigarettes in addition to Lucky Strikes (Tareytons, Pall Mall, Melachrino, etc.); two little and five large cigar brands, including Cremo; numerous smoking tobaccos, including Bull Durham, etc. Cigarettes make up 89 per cent of the volume. Probably due to a substantial debt (over $100,000,000) the price-earnings ratio is lower, and the yield higher, than for the others in the "big three" group.

Reynolds Tobacco is about equal to Liggett in size. Earnings were steady, until forced down by heavy Federal taxes in the past two years. The stock sells at a high multiple of earnings, and has the lowest yield of any issue in our list, indicating its investment calibre. Long-term debt is relatively small but is supplemented by a bank loan (part of a revolving five-year credit). The company's leading products are Camels and Prince Albert smoking tobacco. Camels have held their position in the competitive field over a period of years better than Luckies and Chesterfields.

Philip Morris share earnings have increased rapidly—from 68 cents a share in 1929 to $6.10 in 1942—and may show a moderate gain this year. The English blend cigarette, introduced in its present form in 1933 and cleverly pushed through radio and magazine advertising featuring the phrase "Call for Philip Morris," has for some years been in fourth position and sales continue to grow. In addition to the company's higher priced cigarettes, it produces two ten-cent brands and several smoking tobaccos. Funded debt is moderate in relation to assets, bank loans having been retired last March through sale of additional debenture and common stock. The stock appears reasonably priced, considering its growth record.

Lorillard produces a larger proportion of cigars and manufactured tobacco than other leading companies described above, but Old Golds account for more than half of sales. In 1938, the company adopted a new policy whereby advertising on each brand is related to its sales and earnings. Promotional expenses for introducing Old Golds in earlier years had been heavy, but the cigarette became profitable in 1937. Last year, apparently due to an unsolicited article in *Reader's Digest* on leading cigarette brands (which helped substantiate the Old Gold claim of "not a cough in a carload"), sales expanded sharply, gaining about 80 per cent over 1941, and have probably continued to gain this year. Earnings have made a favorable showing in recent years and the stock is currently selling at only about 8½ times estimated earnings, as contrasted with 13-16 for other leading cigarette stocks.

Bayuk Cigar earnings are expected to gain moderately this year, due largely to increasing tax-free demand from the armed forces abroad. The company is the leading maker (*Please turn to page* 160)



Newcomers On The Stock Exchange

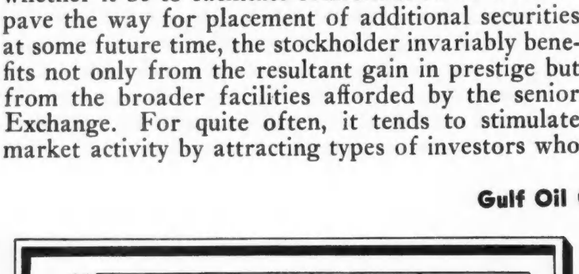
Gulf Oil — Royal Typewriter — Standard Steel Spring

BY THE MAGAZINE OF WALL STREET STAFF

The transfer of seasoned stock issues from Curb Exchange to N. Y. Stock Exchange listing has frequently interesting connotations although these may by no means become immediately apparent. On the whole, however, the primary purpose is to assure a broader market which makes such a move a distinct service to the stockholder. Naturally, other objectives, collateral in nature, are not precluded but whether it be to facilitate redistribution of stock or pave the way for placement of additional securities at some future time, the stockholder invariably benefits not only from the resultant gain in prestige but from the broader facilities afforded by the senior Exchange. For quite often, it tends to stimulate market activity by attracting types of investors who as a matter of policy restrict their commitments to securities listed on the Stock Exchange.

Of late, there has been a steady trickle of such transfers, some of them long-established companies well-known in their field. Their status would have entitled them to Stock Exchange listing long ago. Three of those newly listed, or on the way, are discussed hereunder in our exclusive thumbnail fashion as well worth investors' attention. Gulf Oil Co.'s earlier disinterestedness in Stock Exchange listing probably had something to do with the fact that the company is closely held, some 73% of the stock being in the hands of the Mellon interests. Thus no particular incentive or necessity for broader market facilities may have existed in the past.

Gulf Oil Corporation



BUSINESS: Under management and control of the Mellon interests (which own about 73% of the stock), this company is one of the principal oil producers and marketers of the U. S. Its oil properties aggregate about 11 million acres, containing large crude oil reserves and located in virtually all important producing areas. It has an extensive marketing system, strategically located refineries and comprehensive pipe line facilities extending over some 8000 miles. Well-rounded domestic operations are supplemented by large production in Venezuela, a sizable stake in Mexican production and a 50% interest in a promising concession in the state of Kuweit on the Persian gulf. Company also owns some 33% of the Texas Gulf Sulphur Co. and through a royalty interest participates in the earnings of certain properties of Freeport Sulphur Co.

FINANCIAL POSITION: Capital expenditures of about half a billion dollars during the past decade were financed largely from income, yet a strong financial position has been maintained and long-term debt consistently reduced. Working capital at the end of 1942 was $79.14 million, with cash and marketable securities of $27.87 million comparing with current liabilities of $53.20 million. Long-term debt amounts to $42.91 including $41 million 1¾% ten year bank notes maturing through 1950. Long-term oil sales obligation amounts to $73.88 million. Earnings for the first half year were $1.23 per share against $1.35 in 1942; the decline was largely due to limitations imposed on transportation facilities, a situation which is now much improved presaging higher earnings. Fixed property is depreciated about 55%, somewhat more than industry average.

OUTLOOK: Rising sales should assure somewhat higher earnings than last year, with the effect of gasoline rationing offset by mounting military demands and increasing output of the synthetic rubber component, butylene of which Gulf is a major supplier. Over the longer term, the company's high degree of integration, strong trade position and large crude reserves assure full participation in future industry growth. Research plays a vital role in Gulf's affairs, enhancing future prospects and placing it near the top of the industry. Management is ultra-conservative, both in accounting and dividend policy. Earnings potentials of the company's foreign holdings should play an increasingly greater part after the war.

MARKET ACTION: Reflecting high intrinsic value, fluctuations of the stock were rather below average. Currently, the equity is 45% above its 1942 low and 27% below the 1937 high while our Combined Index is 90% above and 36% below these points, respectively.

COMMENT: Recent price—46¾. Considering the excellent long-term prospects and inflation hedge characteristics, a constructive market attitude appears justified despite present low yield (3%) and high price earnings ratio (18 to 1).

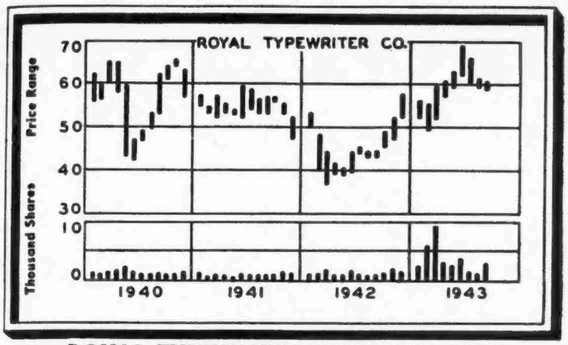
Long-Term Record

Year	Gross Optg. Income ($ millions)	Net Income ($ millions)	Net per Share	Dividends	Price Range
1934	181.13	2.811	0.62	None	76¾-49¾
1935	196.34	10.551	2.33	None	74¾-50¼
1936	235.77	26,356	2.90	1.50(a)	59 -54
1937	278.67	31.854	3.51	1.00	63½-33
1938	266.32	13.017	1.43	1.00	46⅞-33
1939	276.68	15.315	1.69	1.00	45⅛-29¾
1940	273.07	22.150	2.44	1.25	39⅞-25½
1941	337.80	33.568	3.70	1.50	39 -29
1942	349.94	22.981	2.53	1.50	39 -24½

(a) plus 100— stock dividend.

Thumbnail Stock Appraisal

Thumbnail Stock Appraisal



ROYAL TYPEWRITER COMPANY, INC.

BUSINESS: Royal is among the three largest typewriter manufacturers, making a full line of standard and portable models. The former normally make up the bulk of sales but the growth trend in portables has been stronger in recent years while demand for standard machines has been nearing a replacement basis. In 1940, the company began manufacture of typewriter ribbons, carbon paper and other business machine supplies, for sale under the trade name Roytype. During 1942, operations were largely converted to the production of munitions, and plant and equipment expanded for this purpose. Initially slow, progress on war work has been rapid since February and peak volume is believed to have been attained by now. The company's export potential is considerable with pre-war exports accounting for some 20% of sales. Except for the Canadian unit, foreign subsidiaries have been written off since the war.

FINANCIAL POSITION: Finances are strong. Reflecting large earnings, working capital expanded steadily in the past, and was fully adequate to meet conversion needs without outside borrowing. Presently, net current assets are $9.89 million, with cash and securities of $3.83 million, over twice current liabilities of $1.36 million. There is no funded debt but preferred stock amounting to $3.76 million is ahead of the relatively small common stock issue of 268,618 shares.

OUTLOOK: Initially slow conversion to war work and virtual discontinuance of normal output due to materials restrictions resulted in an unexpectedly sharp drop of earnings for the last fiscal year ended July 31, with net per share amounting to only 23c. against $8.23 for the preceding year. However, with peak output now attained, earnings recovery during the current year should be substantial. Backlog of war orders is estimated between $15 and $18 million; moreover limited typewriter production is said to be an early prospect. Longer term growth prospects are held good. Deferred demand, notably for portable typewriters, is believed large, and the Roytype division, expanding even now, should enjoy marked growth in coming years. Seeking to widen distribution of the company's shares, directors consider early listing on the New York Stock Exchange. Prior to this, in order to minimize transfer taxes, it is proposed to change present no par value common to $1 par value shares and pay a stock dividend of three new $1 par value shares for each share currently outstanding.

MARKET ACTION: Reflecting interruption of earnings growth due to war conditions, the stock displayed somewhat less than average volatility. Currently it is 77% above its 1942 low and 40% below the 1937 high while our Index is 90% above and 35% below these points respectively.

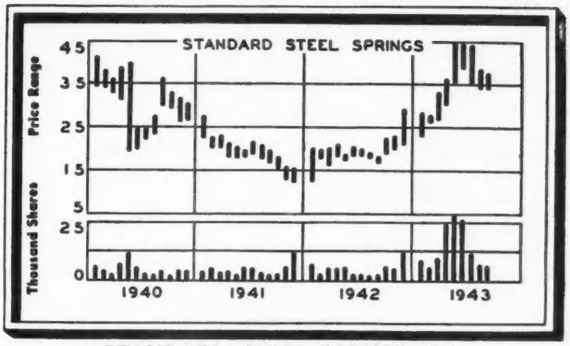
COMMENT: Recent price — 65½. Speculative attraction exists on strength of longer term prospects but commitments may well await more opportune price conditions.

Long-Term Record

Year*	Net Sales# ($millions)	Net Income ($millions)	Net per Share	Dividends	Price Range
1934	1.261	0.942	2.53	None	19¼- 9
1935	2.158	1.676	5.26	None	44⅞-15⅞
1936	3.505	2.627	8.80	None	98½-38⅞
1937	11.097	1.707	5.79	4.75	110¾-35⅛
1938	15.711	1.526	4.70	3.00	79 -30¼
1939	18.172	1.653	5.17	3.00	71 -45
1940	18,781	2.387	7.91	5.00	65 -42
1941	24.375	2.732	9.19	5.50	59½-47½
1942	(a)	2.474	8.23	4.00	57½-36⅞

*Years ending July 31st, except 1934-36 when ending Dec. 31st.
#1934-36 is net optg income. (a)Not reported.

Thumbnail Stock Appraisal



STANDARD STEEL SPRING CO.

BUSINESS: This company manufactures various automobile parts, including springs, bumpers and universal joints, for several leading producers of passenger and commercial vehicles, and tractors. Its importance in the spring field was considerably broadened by acquisition, in May 1940, of the Muehlhausen Spring Corp., manufacturer of coil-type springs for automobile and tractor engines, and for refrigerators. Through a previous acquisition, Standard also became a leading maker of steel gratings and treads. Additionally, potential earning power is enhanced, possibly to a major degree, by the company's development of the "corronizing" process, the application of a protective non-porous coating of nickel to steel to prevent corrosion. This process is applied to storage tanks, wire, barrels, tubing, pipe and certain oil well drilling equipment, and the company has been receiving royalties from licensees since 1940.

FINANCIAL POSITION: Finances are sound but requirements for financing heavy war work necessitated negotiation of a V loan of $18.2 million of which $9.46 million are currently outstanding. Additionally, there are bank loans of $747,336 maturing through 1950. Net working capital is $1.88 million and a contingency reserve of $1 million has been set aside from earnings. To conserve cash for working capital and post-war adjustments, the company has foregone cash dividends this year; instead, two stock dividends of 5% each were declared. The proceeds of 218,962 new common shares issued in May, following a 5 for 1 stock split-up effected in April, may be used to further reduce bank loans.

OUTLOOK: Plants are largely converted to war work, fabricating rolled armor plate and making bombs. Earnings this year should improve considerably over last year's when on basis of the aforementioned split-up, 91c. was netted on the common. Thus a cash dividend is likely before the year end. Backlogs are large, amounting to some $100 million early this year, and capacity operations are probable for the duration, assuring higher net before taxes despite narrowing profit margins. Longer term prospects are favorable, in line with the admittedly promising post-war outlook for the automotive industry, the company's principal client. Also, use of the corronizing process should enjoy further expansion.

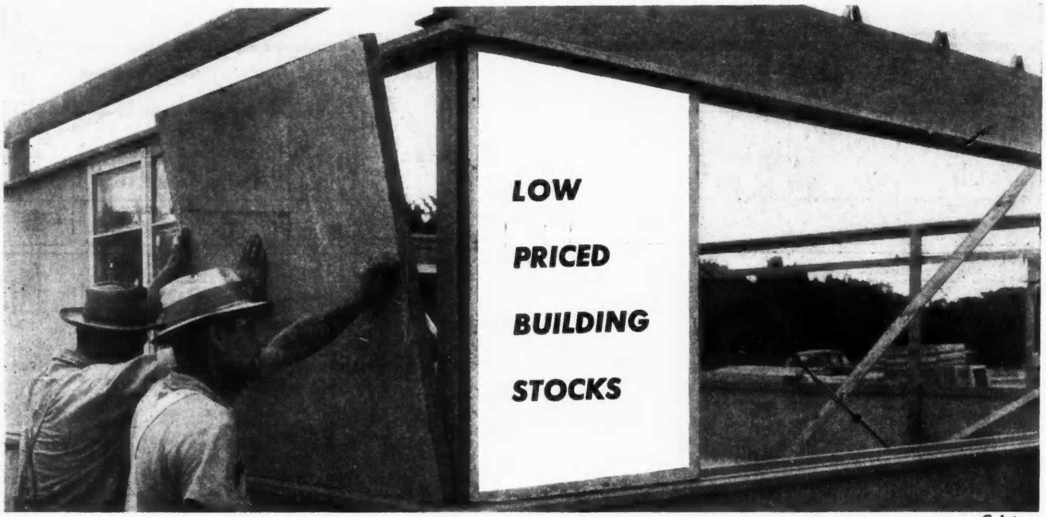
MARKET ACTION: Displaying more than average volatility, the common, adjusted for the recent split-up, is about 160% above the 1942 low and equals its 1937 high, thereby considerably outdistancing the general market. By comparison, our Index is 90% above the 1942 low and 35% below the 1937 high.

COMMENT: Recent price—7¼. Selling only moderately above equity of about $5 per share, the stock on basis of past fair earning power and good future prospects represents an interesting speculation.

Long-Term Record

Year	Net Sales ($millions)	Net Income ($millions)	Net per Share	Dividends	Price Range
1934	3.827	0.110	1.26	None	18½- 8
1935	4.548	0.135	1.54	1.00	20⅛- 9
1936	4.516	0.156	1.56	2.50	33 -17
1937	7.269	0.362	1.82	1.25	35 - 8
1938	3.950	0.086	0.41	0.40	24 - 6¼
1939	5.284	0.363	1.66	1.50	40¼-24
1940	7.304	0.436	1.99	1.50	40⅞-19
1941	12.970	0.945	4.32	1.50	27¼-12⅛
1942	70.289	1.001	4.57	1.50	28¾-13½

Thumbnail Stock Appraisal



Celotex

Which Have Best Near-Term and Postwar Outlook?

BY ROGER CARLESON

THOSE who look only at the present and the near future may find that the stocks of many of the building supply companies are not as statistically attractive as they were only a few months ago. Government construction of war plants and housing in war-active areas caused a huge demand for all kinds of building supplies, but the largest part of this construction has been completed and total building volume is sharply lower. This seems to be due to be followed by still further shrinkage until the war ends. A number of companies in this line have been showing smaller gross and less net income in the past quarter or two than just before that, and some forecasts are for lower earnings in some reports for the latter part of 1943.

That might account for the fact that many of the building stocks have not shown much "pep" in recent markets, despite the widespread recommendation of these issues. But the longer pull outlook for these stocks is what is in the mind of those recommending their purchase, based on the prospect for a larger volume for these companies at some time after the war ends, to last for several years, than they have had in the war work. The fact that the Government will not need more buildings, and munitions and war goods makers may have enough plants now, also, may allow the companies in this field, which do not need materials essential to the war effort, to start their postwar activities before the war ends.

Hundreds of communities, state governments, and the nation are planning new buildings for peace time days. Some of it will be "made work" to provide employment. Some will be needed without regard to whether it helps the unemployed or not. New York City, for example, has all of the plans ready for the largest airport in the world, and work is to start as soon as possible after hostilities end. Roadways will need repair and many new highways are planned throughout the country.

It is in private construction, however, that the greatest demand for building materials is expected. Real estate surveys speak of "one million private homes a year for ten years." This may be more than actually develops, but there is no question but that this work will be on a huge scale. Insurance companies are talking of more huge housing projects, and building of smaller private apartments, which ceased soon after Pearl Harbor, will be resumed. Store buildings and some office buildings and hotels may be added to the list for postwar construction.

It is on this outlook that the patient holder of building company stocks may hope for ultimate profits. The companies in this industry are so numerous that only a few can be covered in one article, which is exclusively devoted to low-price issues. Besides those mentioned here, there are many

others whose main peace time work is almost entirely in the building field, such as some glass companies, paint and varnish makers, hardware and lumber producers.

The Alpha Portland Cement Company is among the largest producers of cement in the United States. This industry had a record year in 1942, with production of 185,166,700 barrels, but the output has fallen off sharply in recent months. This was reflected in the decreasing business reported by Alpha in recent quarters. The company issues its statements in the form of twelve months' reports, and so the indicated actual loss is not defined for the third quarter of 1943, but for the twelve months ending September 30th, 1943, net was only 50 cents a share, whereas for the twelve months to June 30, 1943, it was $1.41 and for preceding periods had been larger. The company had average earnings near the $2 a share annual level for several years and has paid dividends in every year starting in 1935.

Alpha is considered one of the lowest cost producers in this business. Therefore, when the demand for cement is revived, it should again show large profits. The company has plants in seven states and many sales offices. There are no bonds or preferred stock ahead of the 591,356 shares of no par value capital stock. Dividends have been on a smaller scale in 1943, with $1 a share indicated for the full year, which compares with $1.50 in 1942 and $2 in 1941. The problem of conversion to peace time activity should be of no consequence in this business, as plant changes would not have to be made. The company is in an excellent financial position to meet a great increase in business. At the end of 1942, the current assets were $10,266,168, current liabilities $1,139,356 and working capital $9,126,812. The working capital alone equaled $15.44 a share on the capital stock, or about three-quarters of the market price.

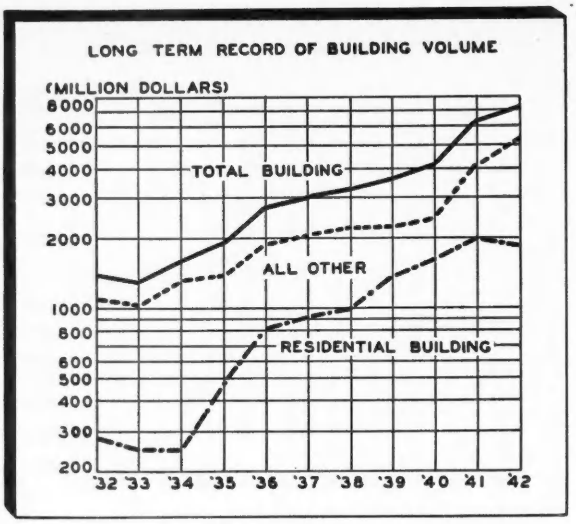
American Encaustic Tiling Company, Inc., has not benefited from war orders. In fact, it has suffered from the lack of new construction work where its products were used in peace time, and production of tiles and other products was discontinued. Recent orders were filled from the stock in hand and the plants were leased at Perth Amboy, N. J. With the ending of the war, however, it is to be expected that some demand will develop and that this will grow as the building operations expand. The company makes ceramic tiles for walls, floors and decorative purposes, and the larger part of this work may be for the postwar private homes and apartments. Some work in plastics may be developed, also. This company has a mortgage of about $84,000, but that is all that is ahead of the capital stock of which 333,879 shares are outstanding, par $1. In the first half of 1943, a deficit of 16 cents a share was reported, with small earnings for several years before. In the 1920s, this company showed large earnings, the best being $871,600 net in 1928. That was an era of luxury building, and another such period may develop again. While the income loss in 1943 may somewhat impair the financial strength of the company, it had a good position at the end of 1942 when current assets were $297,207, current liabilities $36,376 and working capital of $260,831. The stock is a radical speculation.

American Radiator and Standard Sanitary Cor-

EARNINGS, DIVIDEND AND PRICE DATA ON LOW PRICED BUILDING STOCKS.

Name	EARNINGS Per Share 1943	1942	1941	Dividends per Share 1943*	1942	1941	Recent Price	Price Range 1936-1943 High	Low
Alpha Portland Cement	$0.50(a)	$1.97	$2.09	$0.75	$1.50	$2.00	20½	39¾	8½
Amer. Encaustic Tiling	def. 0.16(b)	0.02	0.25	.....	.....	....	2½	13½	½
Amer. Radiator & S.S.	0.22(b)	0.52	0.73	0.30	0.30	0.30	9½	29½	3¾
American Seating	1.15(b)	2.62	2.28	0.50	1.00	1.00	15½	29	5
Celotox	0.58(c)	1.55(d)	2.56(d)	0.58	0.75	1.12½	12¼	24⅛	5
Certain-teed Products	0.09(b)	1.42	2.11	.....	.....	....	6	23⅝	1⅝
Crane Co.	1.46(e)	4.01	3.24	.....	1.00	1.00	20½	56½	10⅜
Flintkote	0.53(f)	2.34	2.30	0.65	0.90	1.00	20½	50⅜	8⅝
General Bronze	....	2.78	2.06	0.30	.....	....	7	14	1¾
National Gypsum	0.35(g)	0.97	0.54	.....	0.25	0.40	9½	18	3⅝
National Lead	0.40(b)	1.73	2.26	0.37½	0.50	0.62½	18	44	11⅞
Otis Elevator	0.84(g)	2.44	1.40	1.00	1.00	1.00	19½	45¼	9¾
Ruberoid	0.63(b)	2.47	4.02	0.45	1.15	1.75	25	46¾	11½

*Paid or declared to date
(a) 12 months to Sept. 30
(b) 6 months to June 30
(c) 9 months to July 31
(d) year to Oct. 31
(e) 12 months to June 30
(f) 28 weeks to July 17
(g) 9 moaths to Sept. 30



poration is one of the largest companies in the building trades, doing a gross business in excess of $100,000,000 a year. It is estimated that it handled in peace times about one third of the total heating and plumbing equipment trade in the country. Its machinery for making radiators and other equipment has been partly converted to making a number of war products in the past year. The profit position has been affected by some decline in Government orders, scarcity of some materials and rising costs and taxes, with the result that net income for the first half of 1943 was only 22 cents a share. Dividends of 30 cents a share were paid in the first half year, but nothing so far in the current period. The ending of the war may do more than give this company a renewal of its domestic orders for heating and plumbing equipment, air conditioning machinery and other products for the new building boom. It had a good export business to Europe before the war, and this may be redeveloped, while further progress may be made in marketing in South America when priorities on materials, lack of sufficient shipping space and other handicaps are out of the way. The company's capitalization consists of $4,500,000 notes, 43,864 shares of $100 par value 7% preferred and 10,043,291 shares of no par value common. The preferred, which is callable at 175, is ranked as a high grade investment. The company has a very strong working capital position, with current assets at the end of 1942 above $64,000,000, current liabilities $14,000,000 and working capital over $50,000,000. The very large amount of common stock outstanding might seem to be a deterrent to any important market advance in this stock, but in past years it has often been a very active mover and in 1937 went as high as 29½. The 1929 high was 55⅜.

The American Seating Company has been doing a considerable amount of war work and as a result has been able to show fair earnings thus far in 1943, with net in the first half of the year at $1.15 a share. Earnings in the two preceding years were good, and for a considerable period, the company has been able to find profitable activities. Its war work includes seats for many types of assembly rooms and airplane seats. In peace times, its best customers have been schools and theatres, with churches, public buildings and buses among other users of the various types of seats. The company started in 1899 and over a long period of years made a study of new shapes to increase the use and comfort of seats. It is likely to meet a brief period of delay in converting its plants from the types of products now being turned out to those for peace times. No new schools have been built in many communities for nearly two years and there may be a large number of them started soon after the war ends. Seat replacements in theatres on a large scale may also be expected, while a good business for public buildings is anticipated. This company has $1,020,000 in notes and only one class of stock of which 221,062 shares, no par value, are outstanding. The $1 dividend rate has been well covered by earnings and seems to be secure. The financial position is excellent, with the 1942 year end showing of $5,849,085 current assets, $1,081,589 current liabilities and $4,767,496 working capital. The working capital equaled $21.57 a share on the stock or about $5 a share more than the recent market value.

Celotex Corporation is regarded as one of the companies which should show a greater expansion in business after the war than it has during it. A very large amount of Government work has been booked and profits have been large, as the leading products in roofing and wall materials have gone into many Government and war producers' buildings. This company has one product which is individual with it, being a material used for insulating and other building work made from bagasse, which is the fibrous part of sugar cane. It is in plentiful supply at a low cost and has been found to be useful in place of wood in many buildings. The company's plants for the processing and finishing of this product are in Louisiana, near the largest source of natural supply. It was with it that Celotex made a great gain in business before the war. Many other building supply activities have been added in recent years, including the making of roofing materials of several kinds, wall materials, gypsum products, rock wool and several others. Some of the products sold by the company are made for it by the Certain-teed and Masonite companies. Celotex owns a large stock interest in Certain-teed, which is mentioned under that company.

Increased Working Capital

Celotex has been increasing its working capital through the sale of additional amounts of common stock, with recent rights for one new share for 10 old, at $10.50 a share. Before this new financing, the capitalization consisted of $3,000,000 in bonds, 148,863 shares of 5% preferred stock, par $20 and 702,251 shares of no par value common stock. The preferred is redeemable at 20 and its recent price

was 18½. At the end of 1942, the current assets were more than $4,000,000 in excess of current liabilities. The common is a promising longer-term speculation.

Certain-teed Products Corporation has not had a good earnings record until the past two years, and income fell off sharply in the first half of 1943, amounting to only 9 cents a share on the common stock. There is a large accumulation of unpaid dividends on the preferred stock. Despite this, the preferred stock is included in a number of recommendations for long pull holding and the common is spoken of as having possibilities for an eventually higher market. This is based on the fact that several times in the past, the company has been well started on a profitable course and was interrupted by a business slump. The marketing arrangement with Celotex is expected to expand its operations in the postwar building boom. Certain-teed is mainly a producer of roofing and insulating materials, shingles and similar products. It has several other lines which may be developed on a larger scale, such as papers for building use, newsprint, plaster and linoleum. It owns through subsidiaries a linoleum plant and 180 square miles of timber lands. Plants are located in a number of states and in Canada.

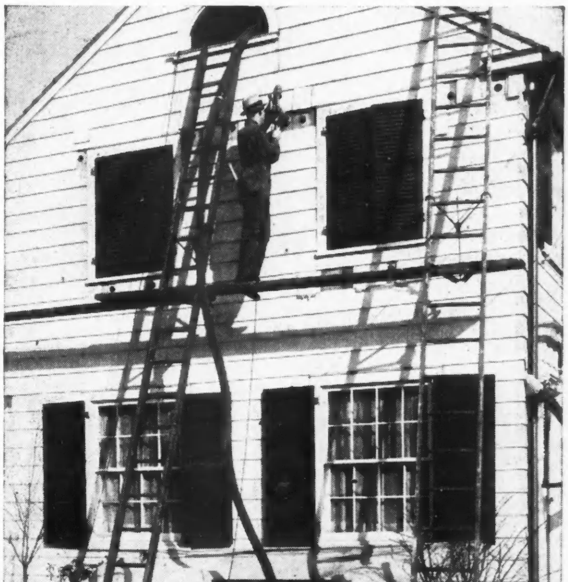
Earnings Sporadic

Certain-teed was founded in 1904 and during several periods in its career had good earnings. The best results in a long period were in 1941 and 1942, with net income in the former year $24.02 a share on the preferred and $2.11 on the common, while in 1942, net was $18.25 a share on the preferred and $1.42 on the common. No dividends have been paid on the preferred since 1937, with the accruals now $39 a share. A recapitalization plan, just announced, will take care of this accrual by exchanging new debentures, plus common stock, for the preferred now outstanding. The present capitalization of the company consists of $7,500,000 funded debt, 73,069 shares of $100 par value 6% preferred and 625,340 shares of $1 par common. Celotex Corporation owns 5,606 shares of preferred and 147,260 shares of common. The preferred is callable at 110 and its recent price was 67. At the end of 1942, Certain-teed had $7,840,640 current assets and $1,792,072 current liabilities, with $6,048,568 working capital.

Crane Company is one of the largest makers of bathroom and plumbing fixtures, doing $171,740,261 gross business in 1942. A very large part of this was in other things than its normal line, however, as large orders for war supplies were filled. In fact, during that year and since then, Crane discontinued all work for private users in many lines. In addition to bath tubs, toilet seats, washstands and other household plumbing supplies, the company is a very large producer of valves, boilers, radiators, fittings, etc., in steel and brass, enameled products and plumbers' supplies. Plants are operated in six states and the company has a large number of salesrooms in all leading cities and many foreign countries. When the war is over, there may be a considerable lag between the production of munitions and specialized plumbing supplies for the Government, and the turning out of the normal lines, but with millions of homes and apartments to be supplied in later years, the bathroom fixture business of this company should be enormous, without considering the other products.

Crane has found its profits this year falling below the two preceding ones, with possibilities that the 1943 report will show under $2 per share, compared with $4.01 in 1942. The company pays only one dividend a year, and it is expected that the usual $1 a share will be paid in December. The capitalization consists of $8,000,000 funded debt, 192,803 shares of $100 par 6% preferred and 2,348,628 shares of common, par $25. The preferred is callable at 105 and is convertible for 1¾ shares of common until June 15, 1947, and then for 1¼ shares. The preferred recently sold at 105. Crane Co. current assets at the end of 1942 were $63,740,334, with current liabilities $12,659,737 and working capital $51,080,597. Not allowing for the prior claims on the net current assets of the bonds and preferred stock, the working capital equaled $21.66 a share on the common.

Flintkote Company has shown the same falling off in earnings so far this year that has been general in this industry, with 53 cents a share for the half year and with an indication that the second half will not be much better. This is less than half the average rate for the two preceding years. The company is in a position to expand greatly when the postwar building (*Please turn to page* 156)



Preparing for Winter Weather

FOR PROFIT AND INCOME

Cushions Already Working

We have spoken from time to time of the tax cushions that tend to prevent wide fluctuation in corporate net income. Many investors either do not realize the full importance of these cushions or assume that their effectiveness is a matter of the future. It is therefore pertinent to note that the third quarter earnings reports provide several interesting examples of how the high excess profits tax itself is right now sustaining profits of some companies which have had substantial declines in earnings-before-taxes. At pre-war tax rates, these shrinkages would have been translated into a large decline in net income. At present high rates, they are translated mainly into a reduced tax payment. Johns-Manville's pre-tax earnings in the third quarter fell to $3,214,879 from $6,262,910 a year ago; but taxes figured only $2,166,272, against $5,176,963 in the third quarter of last year. As a result, net income was down only from $1,085,947 a year ago to $1,048,607. Thus, a drop of $3,048,031 in pre-tax net became a dip of only $37,340 in net profit. As another example, pre-tax net of Ruberoid in the third quarter was down $576,347 from a year ago, but net profit was down only $5,447. This particular cushion, of course, will cease to be effective if pre-tax earnings fall below the EPT exemption point. But if post-war business volume proves as good as most economists except, many companies will stay above EPT exemption points. Moreover, let us remind you again that there are two other tax cushions: the EPT exemption credit may be carried back two years; and if profits become losses there will be a two-year carry-back of losses, which means that a company losing money in 1944 could recover a major share of previous taxes.

Clark Equipment

Under the present tax system a company's interim earnings report may be very confusing to stockholders in the absence of full figures on sales or adequate explanation of the report by the management. A very interesting example is Clark Equipment. Reported net for the nine months ended September 30 was $6.63 per share on the common stock, a gain of about 35 per cent over the $4.90 per share earned in the first nine months of 1942. One would naturally assume that sales volume must have had a very large expansion over 1942 to permit so large an increase in net, since under the highest tax liability only some 20 per cent of any gain in pre-tax earnings—and this includes allowance for 10 per cent refund of EPT taxes paid—can be reflected in net profit. But a little figuring on the report as published in the WALL STREET JOURNAL indicates that pre-tax net for the nine months was only $6,854,000, against $10,481,000 in the first nine months of last year, for Federal taxes paid were $4,038,000

This tank for aircraft de-icer fluid is made by U. S. Rubber Company, not out of metal but entirely out of plastic board. One little sample of the coming Battle of the Materials

less than a year ago. How is it that a company with a big decline in pre-tax earnings can show a big gain in net income? The stockholder is left to guess whether the discrepancy is due to over-accrual of tax reserve last year or to some difference in treatment of post-war EPT refund credit or to some other mysterious workings of profit accounting.

GAINS SHOWN IN CURRENT EARNINGS REPORTS

	Period	Earned Per Share 1943	Earned Per Share 1942	Recent Price	Range 1943
Checker Cab	9 mos. Sept. 30	$2.28	$0.21	26	34 — 8½
Coca Cola	9 mos. Sept. 30	4.52	4.26	114	123 —88
Columbia Broadcasting	39 wks. Oct. 2	1.89	1.69	23½	24½—15½
Decca Records	9 mos. Sept. 30	1.75	1.43	23	24¾—10
Federal Mogul	9 mos. Sept. 30	2.92	1.84	17	17⅞—13
Freeport Sulphur	9 mos. Sept. 30	2.73	2.41	32	38¼—30½
Clark Equipment	9 mos. Sept. 30	6.63	4.90	35	39¼—32¾
Am. Bank Note	9 mos. Sept. 30	.93	.68	16⅞	18 — 8⅝
U. S. Ind. Chemicals	6 mos. Sept. 30	2.50	1.11	38	42¾—30
Allis-Chalmers	9 mos. Sept. 30	3.48	1.75	37	43¼—26⅛
Bower Roller Bearing	9 mos. Sept. 30	3.26	2.09	36	37¾—28¼
Marshall Field	9 mos. Sept. 30	1.18	1.14	14¾	17 — 9⅞
Master Electric	9 mos. Sept. 30	4.80	2.18	29	32 —22
Stand. Oil Cal.	9 mos. Sept. 30	2.00	1.65	38⅛	40 —28⅜
U. S. Playing Card	9 mos. Sept. 30	2.44	1.46	40	42 —29⅞
Baldwin Locomotive	12 mos. Sept. 30	4.71	3.96	16½	19¾—10¾
Int. Silver	Sept. 30 quarter	3.37	1.79	51	52½—36
Nat. Cylinder Gas	9 mos. Sept. 30	1.21	.72	12½	14¾— 9⅝
Nat. Distillers	9 mos. Sept. 30	2.91	2.36	33	34½—25¼
Shell Union Oil	9 mos. Sept. 30	1.35	.90	24	29 —17⅜
Ferro Enamel	9 mos. Sept. 30	1.65	.48	17	19½—12⅞
Inland Steel	9 mos. Sept. 30	5.35	4.95	74½	78¾—62
Nat. Cash Register	12 mos. Sept. 30	2.01	1.83	26½	29½—18⅞
Standard Brands	9 mos. Sept. 30	1.95	1.31	29¼	29⅝—25
United Drug	9 mos. Sept. 30	1.33	1.13	14	15⅛— 7⅝
Wheeling Steel	9 mos. Sept. 30	3.11	2.59	22½	24½—18

Farnsworth Television and Radio

Recently Farnsworth, a pioneer in radio, television and electronics, has been listed on the New York Stock Exchange, as well as on the San Francisco and Los Angeles exchanges. Though in business for many years, the company has never before had its stock listed. Successful "family enterprises" can have two motives—or both in combination—for "letting the public in" through listing. One is to make a market to facilitate distribution of large blocks of "insider" stocks, the chief motive being estate tax planning. The other is to make possible eventual security financing for future expansion of facilities. Farnsworth ranks high in technical accomplishment and holds many key patents. In the most recent fiscal year, net was 84 cents a share. The stock is now priced around 11. As there are about 1,400,000 shares outstanding, and as the field in which the company operates will be intensely competitive after the war, the question of whether there may be a dynamic future expansion in earnings per share is obviously highly conjectural and speculative.

Federal Mogul

Among stocks of moderately low price, one of the best acting issues on the Stock Exchange is Federal Mogul now at 17, against year's high of 17⅞, year's low of 13 and 1942 bear market low of 8. Company's chief products are alloy bearings for engines; and replacement business, in normal times about 40 per cent of the total, lends an element of stability to operations. With the exception of 1931-32, when small deficits were shown, the company has earned a profit in every year of its history, which, under the present name, dates back to 1924. In the depressed year 1938, with about 169,000 shares of stock then outstanding, earnings fell only to $1.90 a share, against $2.37 in 1937. On present capitalization of 279,491 shares, company earned $2.55 in 1939; $2.13 in 1940; $2.17 in 1941; $3.60 in 1942; while for the first half of this year net was at an annual rate of $3.58. Dividends of $1 or more have been paid in each of the past four years. As the dividend is less than a third of current earnings and less than half of normal earnings, as indicated by pre-war performance, it not only looks secure but may be supplemented.

Installment Finance Companies

The leading installment finance stocks—Commercial Credit and Commercial Investment Trust—have had a huge rise from their 1942 bear market lows, which approximately duplicated the lows made in 1941 when these issues were heavily liquidated as "obvious" war casualties, but they show little inclination to react in the current market. Earnings and dividends have held up better than had been generally anticipated under war conditions. Though earnings may suffer a further shrinkage, the end of the war is now close enough in sight — at least in investor psychology—to make it improbable that important liquidation will be renewed. On the contrary, the assured post-war prospect for this type of business will undoubtedly induce investment demand for these two stocks on all dips. The bear market low for Commercial Credit was 16⅛ in 1941 and again in 1942; 1943 range to date has been 44-25½; current price is 38 and yield of $3 dividend is nearly 7.9 per cent. In 1937, the stock sold as high as 69¼. For Commercial Investment Trust the bear market low was 19⅛ made in 1941; this year's range has been 44½-29⅜; and current price is 41, with $3 dividend yielding about 7.3 per cent. In 1937 the high was 80¼.

Machine Tools

The post-war machine tool outlook can hardly be quite as black as some of the industry's spokesmen paint it. Past history, though

(*Please turn to page* 158)

Investment Audit of

WESTERN UNION

BY OWEN ELY

WESTERN UNION TELEGRAPH COMPANY has been in the limelight recently due to consummation of its long-contemplated merger with Postal Telegraph. Combination of the two companies will eventually eliminate a considerable amount of duplicate facilities and employees.

As a first step, the Federal Communications Commission has authorized closing some 1800 duplicate telegraph offices now serving substantially the same areas. However, the order is subject to certain reservations to prevent reducing present hours of telegraph service and to maintain the best standards provided by either company in any community. Moreover, Western Union must retain practically the entire personnel of Postal, though this is not a hardship at present because of the great demand for help, particularly in the messenger department. In the post-war period, a policy of non-replacement of Postal employees leaving the service should permit wage economies.

The telegraph business, despite the merger, will still be subject to some competition, particularly from Bell long-distance telephone lines, and every time the Federal Communications Commission forces Bell System to reduce long distance 'phone rates this has an immediate adverse effect on Western Union business, sometimes necessitating rate reductions or service concessions.

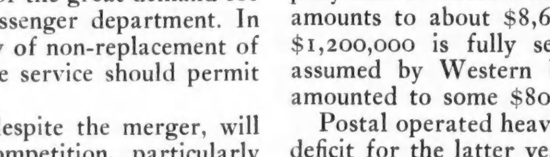
On the other hand, Western Union has some very important cost-reducing technical changes in progress or planned. It is already operating some 35,000 teletype machines and expects over a period of years to increase this to perhaps 250,000 or 300,000—greatly reducing the number of messengers and probably eliminating the old-fashioned call box.

The company is also working on the development of an entirely new system of wireless transmission, which eventually will replace the extensive wire lines. The new system is called telefax and is similar to television. Vice-president D'Humy, at an FCC hearing on the merger, indicated that the new system (still in the experimental stage) would bring better service and lower rates. An exact reproduction of the original message will be transmitted by a beam of light waves, making the possibility of error infinitesimal. The first phase of installing the new system will extend over a ten-year period.

So far as the immediate effects of the Postal merger on earnings are concerned they will probably not be very beneficial. When Postal was reorganized in 1939 the bonded debt was eliminated, but the company had to borrow from the RFC, and this loan amounts to about $8,675,000. (The bank loan of $1,200,000 is fully secured). This liability was assumed by Western Union, whose debt already amounted to some $80,000,000.

Postal operated heavily in the red in 1941-42, the deficit for the latter year amounting to $4,942,306 (after depreciation amounting to $2,430,476). Thus the savings which may eventually be effected through closing duplicate offices may be offset (for the present) by the Postal deficit. Possibly the improved management and better facilities provided by Western Union will eliminate the red ink and put the additional business on a comparable basis but how soon this can be effected remains to be seen.

Western Union itself operates on a rather narrow margin of profit, earning about $9,400,000 for stockholders in 1942 on a gross business of some $132,000,000. Due to the large funded debt the company goes slightly into the red in years like 1932 and 1938 when gross business drops and it is difficult to adjust expenses.



A Western Union Office in a railroad depot at midnight

Western Union's dividend record dates back to 1857. Except for the periods 1871-73, 1933-34 and 1938-39, dividends have been paid each year. Ten stock dividends were also paid in the old days, the last being in 1908. At the present price of 44 (this year's range is 44¼-37⅛) the stock yields about 4.6 per cent based on the $2.00 dividend.

Earnings for the eight months ended August 31st were $4.53 compared with $5.34 in the corresponding period last year. The decline in net income of approximately $850,000 was only partially accounted for by an increase in Federal taxes of about $252,000. Rising labor costs may explain the balance. Based on estimated earnings this year of about $7.50, the stock is currently selling at less than six times earnings. However, this estimate does not make allowance for any effect of the Postal merger, during the balance of 1943, which may reduce earnings somewhat; and a 25% increase in hourly wage rates for messengers is also in the offing.

The merger plan provides that the 1,045,277 shares of capital stock ($100 par) are to be converted into Class A stock without par value, while 308,124 shares of new Class B stock would be issued to the Postal system as part consideration for the assets to be acquired.

Holders of Class A stock will be entitled to dividends of $2.00 a share in each successive twelve months period before any dividends may be declared or paid on the Class B stock. However, the $2.00 preferential dividend will not be cumulative. The Class A stock will be entitled to $50 a share in dissolution before any payment is made to Class B stock. After allowance for the preferential dividend and liquidating value, the A and B stocks will share alike in any additional payments or distribution of assets.

The Class A stock will carry five votes a share and Class B three votes, and Class B will be convertible (about one year after consummation of the

DISPOSITION OF 1942 REVENUE

	Western Union	Postal
Operating Expenses, etc.	61%	87%
Maintenance	11	16
Depreciation	7	11
Employees' benefits	2	3
Taxes—Social Security	2	2
" —Miscellaneous	3	2
" —Federal Income	4	——
Interest	3	1
Net Income	7	D22
	100%	100%

plan) into Class A in the rame ratio—three A for five B. However, the conversion feature is conditioned on the amount of Postal debt which Western Union has to absorb in excess of a base figure of $10,800,000, hence it is impossible to estimate the exact conversion ratio at this time. Western Union's business should be increased roughly one-fifth by the merger with the Postal Telegraph land lines.

Obviously, Postal's expenses, maintenance and depreciation are too high in relation to the business handled. Under efficient Western Union management, and with elimination of duplicate facilities, Postal's deficit should eventually be wiped out.

Postal's property account is carried at approximately $70,000,000 less $30,000,000 depreciation; Western Union's at $343,000,000, less $104,000,000. Of the combined plant (less depreciation) Postal contributes about 14% or in almost exactly the same proportion as its gross revenues bear to the total. Each company has about $1.82 of net plant value for each dollar of annual revenues. Why is it therefore that Postal's expenses are so much

WESTERN UNION RECORD SINCE 1929

Year	Gross	Earned Per Share	Dividends Paid	Approx. Range
	(millions)			
1942	$132.1	$8.95	$2.00	33- 23
1941	114.1	7.05	2.00	32- 19
1940	99.7	3.46	1.00	29- 15
1939	95.7	1.32	——	37- 17
1938	91.7	D1.57	——	25- 18
1937	100.5	3.18	1.50	84- 22
1936	98.4	6.89	0.75	96- 73
1935	89.9	5.03	2.00	77- 21
1934	87.2	2.15	——	67- 30
1933	82.3	4.18	——	77- 17
1932	83.0	D0.81	1.00	50- 12
1931	108.7	5.72	7.50	151- 39
1930	130.6	9.03	8.00	219-122
1929	145.7	15.12	8.00	272-160

higher than Western Union's per dollar of revenues? The difference may lie principally in the larger proportion of salary expense for office management, in proportion to the business handled; many of Postal's offices must handle a much smaller volume than Western Union's, with the same minimum staff and overhead.

As these small offices are eliminated through merger of facilities, savings should be substantial. If operations could be reduced to the same operating ratio as for Western Union, net income for the combined companies should be increased by approximately $2,000,000. To this might be added savings resulting from elimination of duplicate facilities (rents, repairs, depreciation, etc.) possibly amounting to another $2,000,000 (this is of course, only a guess).

Offsetting these potential gains estimated at $4,000,000, there is additional stock outstanding. The 1943 share earnings (on the old basis) are estimated at $7.50 a share. Adding in the estimated potential gain of $4,000,000 (less about $1,600,000 which would go to the Government as taxes) would mean a total earnings of about $8.00 for the new Class A stock and $6.00 for the Class B. On this basis the old stock (which is the same as the Class A) is selling at about five and one-half times earnings. Such a price-earnings ratio would seem to discount the inevitable (*Please turn to page* 154)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities.***
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.**

Special rates upon request for those requiring additional service.

Texas Company vs. General Electric

I own some common shares of Texas Co. stock and would like to have your opinion as to disposing of this issue and buying that of General Electric.

I have some profit in the Texas Co. and am more interested in enhancement than income and it appears to me that after the war General Electric should advance more from its present quotation than that of Texas Co.

Your suggestion as to this switch will be appreciated.—C. W. G., Gordonsville, Va.

We do not recommend switching your Texas Company common stock selling at 48 to General Electric common stock selling at 38. Of course, both of these stocks are representative in the industry in which they operate and we think Texas Company has just as good prospects in the post-war period as General Electric. At current market prices, the indicated income yield on Texas Company is 4.1 per cent as compared with 3.7 per cent on General Electric. Texas Company is now selling 5⅜ points below the high registered this year and General Electric is selling 1⅞ points below the high registered in 1943. Both companies have a very strong financial position and while we have no objections to including General Electric in your security portfolio, we see no valid reason for eliminating Texas Company. The latter will undoubtedly do exceptionally well when the ban on automobile driving is lifted and oil companies generally will not have the same difficulty anticipated by industrial manufacturers in converting back to peace production.

American Viscose Corp.

I now own 75 shares of American Viscose Co. bought at 24. Will you please give me your opinion on a further commitment in 25 shares at current levels.

Objective: Further appreciation and income.—W. C. B., Washington, D. C.

The American Viscose Corp. is the largest producer in the industry, manufacturing viscose rayon yarns, viscose rayon staple fibre and filament acetate rayon. Practically the entire output is sold in the United States. Six plants are operated in Virginia, West Virginia and Pennsylvania and capacity is said to be steadily increasing. Capital expenditures for plant additions, equipment and improvements since January 1st, 1936, aggregating over $55,000,000 has been financed from current funds. The company has no funded debt, 247,694 shares of $5 cumulative preferred stock and 1,720,442 shares of common stock with a par value of $14.

This company earned $3.20 per share of common in 1942 as compared with $3.92 in 1941. The highest this company earned in the pre-war years of 1936 to 1939, inclusive, was $5.07, and the lowest was a deficit of $1.82. It paid $2.00 in dividends in 1942 and may pay as much as $2.25 this year. The stock has sold as high as 49⅜ this year, the low being 32 and last 45. Viscose yarn production will rise this year but this will not be fully reflected in greater dollar volume because of the larger percentage of output going into low priced tire cord yarns; allocations to the acetate division are said to have been reduced and this may affect output in the final half. The common shares of this company appear to have considerable merit for long-term appreciation but in view of the current market action at this time, we would prefer to buy it at a better price than 45.

Consolidated Edison Co. of New York

I am planning to buy 50 shares of Consolidated Edison of New York and would appreciate your remarks.—E. S. W., St. Petersburg, Fla.

Consolidated Edison Co. of New York is an operating and holding company, controlling the largest integrated electric and gas system in the world. The territory comprises the greater part of New York City and the important Westchester suburban area.

The company earned $1.79 per

share in 1942 as compared with $2.00 in 1941. For the twelve months ending June 30, 1943, per share earnings amounted to $1.75 as compared with $1.70 in the preceding year. Earnings are expected to be about the same as last year and the present $1.60 common dividend will be covered by a narrow margin. Addition of the large aluminum plants load and heavier sales to Niagara Hudson Power Corp. may result in moderate revenue gains. Operating costs should continue under very good control unless Federal taxes are again increased. The price range on the New York Stock Exchange this year has been: high 24⅜; low 15⅜; last around 22. Based on the current annual dividend rate of $1.60 the indicated income yield is 7.2 per cent. While the longer term outlook is threatened by inflationary trend in costs which will be difficult to offset with rate increases, because of the company's already relatively high residential rates, we rate this stock as above average in its class and have no objection to its inclusion in your securities portfolio.

American Smelting vs. Texas Gulf Sulphur

Will you please give me your opinion on a commitment in 100 shares of American Smelting and Refining Co. at current levels? Are its prospects better in long run than Texas Gulf Sulphur?

Objective appreciation and income.—W. B. C., Washington, D. C.

In our opinion, current prospects appear to favor American Smelting & Refining Company. This company earned $3.99 in 1942 as compared with $5.59 in 1941. They paid $3.00 in dividends in 1942 and the price range this year has been: high 47⅞; low 37⅛; last 39½. The indicated income yield is about 7.7 per cent based on a $3.00 dividend rate. If only $2.00 is paid this year, yield is slightly over 5 per cent. Increased mining, smelting and refining volumes are indicated this year, but costs are up sharply reflecting mainly wage advances granted earlier this year. Little change in Mexican results is likely, with rising wages offsetting increased output and the benefits indicated in the second half from piping gas to the Rosita Smelter. Earnings this year are likely to fall somewhat below 1942. However, the company's strong trade position gives the common stock above average promise at the current market price of 39½ which is about 8 points below the high registered this year.

Texas Gulf Sulphur earned $2.29 in 1942 as compared with $2.35 in 1941. It paid $2.25 in 1942 and has just declared a 50 cent dividend, plus 25 cents extra, which will make $2.25 in 1943. Based on the current price of 37, the yield is slightly over 6 per cent. This stock is selling about 5 points below the high registered this year. In recent months, both production and shipments of sulphur have been declining and stocks are piling up. The outlook is therefore uncertain, despite an indicated large demand from the rayon, film and metallurgical industries. While based on current prospects we rate American Smelting somewhat better than Texas Gulf Sulphur, we see no objections to your making a modest commitment in Texas Gulf Sulphur around the low price registered this year. By so doing you would obtain better diversification and both stocks are worthy of inclusion in your portfolio.

Callahan Zinc Lead Co.

I own 100 shares of Callahan Zinc for which I paid $2.00 per share. I was anticipating purchasing 200 shares additional at ⅞ or 1, to equalize on this stock.

What do you recommend in this instance—do you recommend selling at a loss or trying to equalize?—G. M. L., Philadelphia, Pa.

Callahan Zinc Lead Company was incorporated in 1912, in Arizona, as the Consolidated Interstate Callahan Mining Company. The name was changed to the present title in 1920. The activities of the present management since installation late in 1936, have been directed towards examining and acquiring property to replace the company's original Interstate Lead Zinc and Galena Lead-Silver Mine, which are too nearly exhausted for large scale operations. The Interstate property was leased to others in 1940 and the Galena Mine was sold in 1941. The company now operates three properties under lease in Arizona, Idaho and Colorado.

The earnings of this company have been very unimpressive for a number of years. From 1933 to 1939, inclusive, the company operated at a loss. Earnings from 1940 to 1942, inclusive, never exceeded 2 cents per share. No dividends have been paid since 1920. The price range this year has been: high 1½; low ⅝; last 1.

We consider this stock as very speculative and not suitable for your portfolio. We advise you not to make any further commitments in it and to liquidate your holdings even though it means a loss of capital for you. We would counsel you to invest your funds in representative securities which have paid dividends for a number of years and which have enjoyed good earnings. For recommendations, we respectfully refer you to recent issues of The Magazine of Wall Street.

American Chain vs. Westinghouse Air Brake

Kindly give me your opinion on a switch from Westinghouse Air Brake to American Chain & Cable for investment long pull.—B. M., Clearwater, Fla.

American Chain & Cable is one of the largest concerns of its kind, manufacturing every size and kind of chain from small chains for the plumbing trade to large anchor chains for ships. The company has no funded debt, 56,919 shares of $5 cumulative convertible preferred stock and 989,529 shares of common stock of no par value. In the pre-war years of 1936 to 1939, inclusive, the highest earned was $3.16 per share and the lowest was 56 cents per share. It earned $3.76 in 1942 as compared with $3.54 in 1941. Earnings in the first six months of this year were $2.12 against $1.27 for the same period of 1942. Based on a $2.00 dividend rate, the yield is over 8 per cent.

Westinghouse Air Brake earned $1.33 in 1942 as compared with $1.91 in 1941; and 68 cents for

(Please turn to page 157)

Another Look At...

STANDARD BRANDS—GENERAL FOODS—ALLIS-CHALMERS GENERAL MOTORS—U. S. GYPSUM—MONTGOMERY WARD

By The Magazine of Wall Street Staff

Standard Brands vs. General Foods

Before the "reverse split" in which one new share was exchanged for four of the old shares, Standard Brands had a 1943 range of 8-4⅛. Following the split, the new shares sold down to 25, equal to 6¼ for the old stock. Recently the new stock made a new high at 29⅝ but it would have to reach 32 to equal previous high on the old shares. For nine months ended Sept. 30 the company had net income of $6,860,000, a gain of nearly 49 per cent over a year ago. For the same period General Foods had net of $9,389,000, against $8,969,000 for the first nine months of 1942 or a gain of less than 5 per cent. Sales of Standard Brands gained about 25 per cent for the period, against about 8 per cent for General Foods. Net profit of Standard Brands equalled about 5.32 per cent of sales, against 5.19 per cent for General Foods. This is the first time in Lord knows when that Standard Brands topped its larger competitor in improved interim results. But the former for years had a management much inferior to that of General Foods. The latter, in short, was already up there; while the new and capable Standard Brands management is building up from a relatively depressed base. Partly due to gain in earnings, partly due to the fact that it now has considerably less common shares outstanding than General Foods, Standard Brands' nine-month net was $1.95 a share, against $1.60 per share for General Foods. It will take one a while to get used to bigger per share net for Standard than for General Foods. Assuming 4th quarter results about in line with the third quarter, Standard is priced around 8.8 times indicated 1943 net, General Foods at over 19 times indicated 1943 net. In time this gap probably will narrow.

Allis-Chalmers

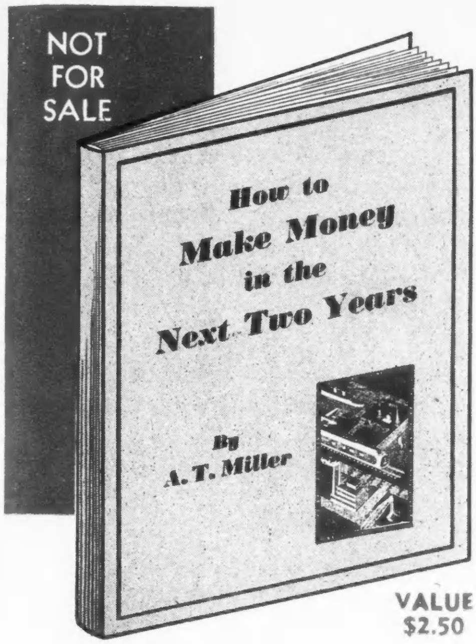
Head-over-heels in war work, billings of Allis-Chalmers for the first nine months of the year amounted to $206,498,000, against $148,368,000 for the corresponding period of last year. Thanks to big volume gain, and despite high taxes, net per share increased to $3.48, compared with $1.75. Gain for the third quarter was even more pronounced, with billings $100,335,000 against $59,687,000; and net per share $1.52 against 57 cents. Now around 37, the stock is priced at about 7.4 times indicated annual net per share but yields only 2.7 per cent on indicated dividend. In the most active pre-war years, top sales were less than a quarter of present rate, top net per share was $4.42 in 1937, and average net for 1936-1939 was about $2.55. Except in 1936, when the undistributed profits tax was operative and $3.50 was paid, pre-war dividends did not exceed $1.50 and were omitted for 1933-1935 after dropping to token amount of 12½ cents in 1932. Operating in an "in and out" business, the stock does not look statistically cheap, though in periods of optimistic speculation it has in various years sold much higher than now.

General Motors

With war work in full stride, General Motors reported $2.36 a share earned in nine months to Sept. 30, after the usual conservative contingency reserve, compared with $1.76 for the corresponding period of last year. But the rate of gain is evidently slackening on a quarter-to-quarter basis. For three months to Sept. 30 net was 87 cents a share versus 77 cents in the third quarter of last year and 78 cents a share in the second quarter of this year. Top earnings before the war were $5.35 a share in 1936; and average net for 1936-1939 was approximately $4. It is generally believed that G. M. will have good business for three to five years after the war; but by how much, if any, it can better average pre-war earnings is conjectural—depending much on future taxes and labor costs. The company is so big that "growth" potential is far from dynamic; and in some respects the management has to function as if it were a quasi-public institution or utility. The stock will remain popular as the widely recognized "leader" of its field. At present price of 52, yielding about 3 per cent, it is neither particularly high nor particularly cheap in comparison with price range over a long period of prior years. It is the kind of stock on which analysts are more inclined to advise "hold" than "buy" at present price.

U. S. Gypsum and Montgomery Ward

Both of these companies are having their troubles resulting from war restric- (*Please turn to page 157*)



Extra Help for Epochal 1944

Our Gift To You

—To Safeguard Your Principal and Income

—To Build Capital in Favorable Opportunities

Free

PRIVATE-EDITION COPY

How to Make Money in the Next Two Years

By A. T. Miller, Investment Authority

To make progress one must adjust himself to the realities of today . . . the swiftly paced war developments . . . the transition to peace. By so doing you can safeguard your interests . . . capitalize on favorable opportunities, and follow an investment course based on new influences and factors — domestic and international — which will decide the trends of business profits and security prices.

Alert to the changes both political and economic, Mr. A. T. Miller, distinguished analyst, in this new book, weighs the situation ahead . . . designates the contingencies you must prepare for and gives you his personal selection of *various* portfolios — to meet your wishes and objectives.

It Will Help You . . .

—Crystallize your policy; lay out an investment program.
—Decide on a basis for setting aside funds
. . . for speculative ventures
. . . for long-term fortune building opportunities.

Part I—Contingencies for Which to Prepare

A—Mixed War and Peace Economy
—Transition from war to peace; postwar planning.
—Political and economic changes.
—Increased government in business.
. . . Where temporary? . . . . Where permanent?
—Postwar problems in government owned capacity.
—Cost of war . . . its effect on earnings . . . labor . . taxes . . . standards of living.

B—End of Isolationism; —Our place in the new world.
—What these forces mean to you as an investor.

Part II—How to Build Investment Capital Now

A—Planning a Strategic Portfolio; For income and safety.
B—Limiting Your Risk; —When investing for profit.
C—With Capital Growth Foremost
—How to determine industries and companies.
D—Timing Your Investments; —When to buy; when to sell.
—How to contract or expand your portfolio.

Part III—Securities Geared to New Forces

A—Weighs Common Stocks, Preferred Stocks, Bonds
—For investment; for profit and income; for speculation; for short term; for longer term.

B—Securities in Favorable Position
—New products and markets; postwar cushions; inflation; special situations; early peacetime leaders.

C—LOW-PRICED STOCKS
—Companies in best position to show large percentage gains; what to consider.

Part IV—Building Future Income—Portfolios Next Two Years—Specific Selections

A—For Income and Safety . . . for maintaining income . . . for those retired, for professional men, for widows.
B—For High Yield and Profit . . . for those able to take businessman's risk.
C—For Speculative Profit . . . for building capital primarily in low-priced stocks with an eye to the future.
D—Strategic Portfolios . . . Above are for $5,000 . . . $15,000 . . . $25,000 with percentages allotted to fit any amount.
E—SPECIAL PURPOSE SECURITIES . . . Additional selections—common stocks, preferred stocks, bonds . . . —so you can make up a personal portfolio of your own.

This book will serve you well in these vital days . . . enable you to think out your own problems . . . give you the benefit of our expert judgment. *Send your order today as we print only a limited edition.*

Plus . . .

THE IDEAL GIFT

THE MAGAZINE OF WALL STREET *Plus* **"How to Make Money in the Next Two Years"**

The combination supplying the tools necessary for sound and judicious action in the vital period ahead.

To Father, Son, Friends, Business Associates — to Yourself

Give the gift that lasts forever and can never be taken away—KNOWLEDGE—the key to superior judgment. More than ever will it be essential as a basis for making plans in epochal 1944.

Because of its insight on a broad scope, authoritative character, and its sound common-sense, no Christmas gift you can give this year will be more gratefully received and appreciated than The Magazine of Wall Street. It will express your interest in the economic welfare of the recipient . . . and 26 times throughout the coming year, he will be reminded of your thoughtfulness. He will turn to The Magazine of Wall Street with interest at first . . . then with eagerness . . . because he will find it profitable and good . . . and because he will gain an understanding of domestic and international affairs which he never believed he could acquire so easily.

Enter Your Gift Subscriptions Now . . . For

Your Business Associates and Friends — who will appreciate being put in touch with a source which so reliably weighs and interprets the new forces dominating industry and investment. It will form a bond of interest between you and promote your business relations.

Your Executives and Employees — who will acquire a broader grasp of the vast industrial and economic changes taking place. It will help to develop their judgment and vision.

Your Womenfolk — because it will assist them in acquiring the background and perspective they need today and tomorrow—to retain the financial security you have built for them.

Yourself — because each issue deals in a most practical way with the vital problems regarding your business and your investments . . . and particularly since it is the most dependable guide you can secure—regardless of price.

In Addition—You Receive Valuable Book . . FREE

Therefore, mail the coupon below with your remittance today. Your gift subscription will start with our December 25th Christmas issue and includes a private-edition copy of our important new book "How to Make Money in the Next Two Years" (described on reverse side of this page) immediately on publication. Your gift subscription also includes confidential inquiry privileges—FREE.

— — — Mail This Special Gift Order Today — — —

The Magazine of Wall Street, 90 Broad Street, New York 4, N.Y.

☐ I enclose $10—enter (or extend) my own personal subscription for one year (26 issues). ☐ $15 for a special two years subscription (52 issues).

☐ I enclose $.................. for.............. Xmas subscriptions including attractive Christmas Greeting Cards. $10 for one subscription, $7.50 each for two or more orders). All subscriptions include Consultation Privileges—also FREE copy of "How to Make Money in the Next Two Years" (value $2.50).

Name ....

Address ....

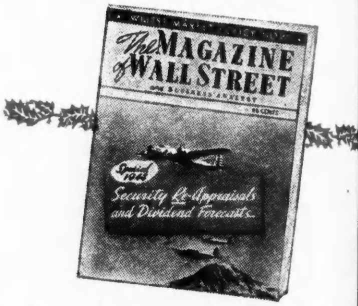
Name ....

Address ....

Name ....

Address M.-Ins-11-13

"Like the Breath of Life on Ezekiel's Valley of Bones . . .



John J. Chalmers of New York writes:

"Enclosed is my check for another year subscription; also several Christmas Gift subscriptions.

"I have read The Magazine of Wall Street for many years. Facts and figures to me are like Ezekiel's Valley of Bones, the dry and dusty skeletons of the real thing. It remains for your magazine more than any other to breathe life into these dry bones.

"I think your Magazine should be read to know what is going on in front of our eyes, and what goes on behind the scenes. Best wishes for your continued success."

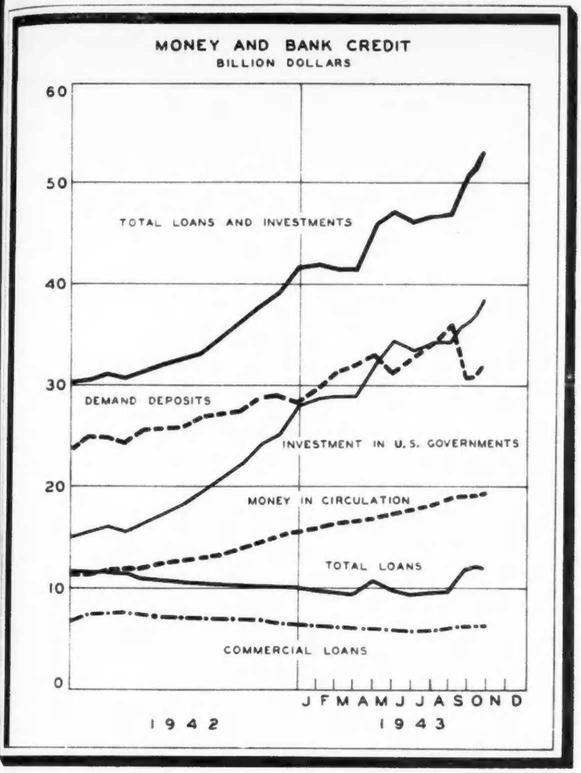
2 Gifts
At the Price of One

1. The Magazine of Wall Street 1 year (26 issues) —Including Confidential Inquiry Service without additional cost. $10.00
2. Copy of "How to Make Money in the Next Two Years" . . . Value . . . 2.50

Total $12.50

Both for $10

Saving You $2.50



CONCLUSIONS

MONEY AND CREDIT—State tax revenues this year will total $5.1 billion, a record high. House Ways and Means Committee approves Federal tax increases this year of only $2 billion.

TRADE—Department Store sales in four weeks ended Oct. 23 only 7% above last year, against 12% rise for year to date.

INDUSTRY—Machine tool orders slump. WPB stops output of scarce metals by high cost mines.

COMMODITIES—Feed grains continue advance based upon scarcity. Cotton sensitive to peace rumors.

The Business Analyst

Per capita **business activity** has recovered fractionally since our last issue; but the index averaged only 128.3 for October—2.3 points below September, though nine points ahead of October last year. Without compensation for population growth, the index dipped in October to 155.3% of the 1923-5 average, from 157.7 in September; but was 9.2% above October, 1942.

* * *

Production of a few erstwhile **scarce metals**—such as bauxite, lead, vanadium, tungsten, molybdenum and cobalt—is now so far outstripping war needs that the WPB has ordered many low-grade ore mines closed and has withdrawn minimum prices paid to a number of marginal producers. It is also reported that unfilled orders for **machine tools** are likely to be worked off within approximately four months.

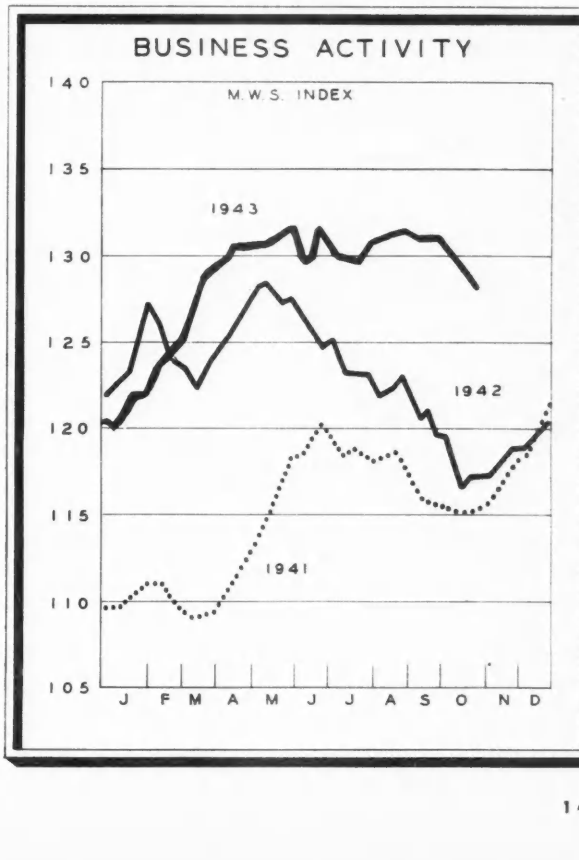
* * *

Department store sales in the four weeks ended Oct. 23 were only 7% above the like period a year earlier, compared with a cumulative rise of 12% for the year to date.

* * *

The nation's total **state tax revenues** this year are expected to reach $5.1 billion, a new all-time high, despite a 20% slump in gasoline tax revenues. In a number of States, income

(Please turn to following page)



Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
FEDERAL WAR SPENDING (tf) $b	Oct. 27	1.58	1.84	1.36	0.43
Cumulative from Mid-1940	Oct. 27	138.0	136.4	55.2	14.3
FEDERAL GROSS DEBT—$b	Oct. 27	164.8	164.6	92.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Oct. 27	31.8	31.4	28.4	24.3
Currency in Circulation	Oct. 27	19.1	19.0	14.1	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Oct. 27	4.90	4.87	3.81	3.92
100 Other Cities—$b	Oct. 27	7.41	7.38	6.04	5.57
INCOME PAYMENTS—$b (cd)	Aug.	11.66	11.75	9.55	8.11
Salaries & Wages (cd)	Aug.	8.46	8.37	6.86	5.56
Interest & Dividends (cd)	Aug.	0.47	0.86	0.44	0.55
Farm Marketing Income (ag)	Aug.	1.77	1.54	1.41	1.21
Includ'g Govt. Payments (ag)	Aug.	1.85	1.58	1.43	1.28
CIVILIAN EMPLOYMENT (cb) m	Sept.	52.5	53.9	52.4	50.2
Agricultural Employment (cb)	Sept.	11.3	12.0	10.2	9.0
Employees, Manufacturing (lb)	Sept.	16.2	16.2	15.2	13.6
Employees, Government (lb)	Sept.	5.8	5.8	5.5	4.5
UNEMPLOYMENT (cb) m	Sept.	0.8	1.0	1.7	3.9
FACTORY EMPLOYMENT (lb4)	Aug.	170	170	157	141
Durable Goods	Aug.	230	229	193	168
Non-Durable Goods	Aug.	122	122	124	120
FACTORY PAYROLLS (lb4)	July	315	317	243	189
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Aug.	45.0	44.4	43.0	40.3
Hourly Wage (cents)	Aug.	96.5	96.3	87.0	78.1
Weekly Wage ($)	Aug.	43.43	42.76	37.38	32.79
PRICES—Wholesale (lb2)	Oct. 23	102.9	102.9	99.7	92.2
Retail (cdlb)	Aug.	133.4	133.9	126.0	116.1
COST OF LIVING (lb3)	Aug.	123.2	123.8	117.5	110.2
Food	Aug.	137.2	139.0	126.1	113.1
Clothing	Aug.	128.9	128.6	125.2	113.8
Rent	Aug.	—	—	108.0	107.8
RETAIL TRADE					
Retail Store Sales (cd) $b	Aug.	4.92	4.94	4.62	4.57
Durable Goods	Aug.	0.76	0.78	0.85	1.07
Non-Durable Goods	Aug.	4.15	4.16	3.77	3.47
Chain Store Sales (ca)	Sept.	179	184	183	151
Dept. Store Sales (rb) (1)	Sept.	131	142	123	116
Dept. Store Stocks (rb2)	Sept.	110	114	125	95
MANUFACTURERS'					
New Orders (cd2)—Total	Aug.	273	272	233	212
Durable Goods	Aug.	403	420	334	265
Non-Durable Goods	Aug.	190	176	167	178
Shipments (cd3)—Total	Aug.	257	249	212	183
Durable Goods	Aug.	348	346	270	220
Non-Durable Goods	Aug.	185	173	167	155
BUSINESS INVENTORIES—$b					
End of Month (cd)—Total	Aug.	27.6	27.1	29.1	26.7
Manufacturers'	Aug.	17.6	17.4	17.4	15.2
Wholesalers'	Aug.	3.9	3.8	4.3	4.6
Retailers'	Aug.	6.1	5.9	7.4	6.9

PRESENT POSITION AND OUTLOOK

(Continued from page 149)

tax rates are being reduced and excise tax rates boosted—particularly on **liquor** and **tobacco.**

* * *

The House Ways and Means Committee has approved increases in a wide variety of **excise tax rates,** to yield an additional $1.4 billion; and voted to retain the present 40% normal plus surtax and 80% **corporate tax** ceiling; while raising the excess profits tax rate to 95%, and reducing the invested capital credit. With **sales tax** proposals defeated, these recommendations, if finally adopted, would raise additional revenue of only $2 billion, compared with $10.5 billion sought by the Treasury.

* * *

The Committee is not sold on the Administration's pet theory that much steeper taxes are needed to head off **inflation;** believing that curtailment of unnecessary Government expenditures would be a more effective antidote than stiffer taxes. One member of the Committee thinks that **savings** now virtually close the "Inflationary Gap." In this he is, of course, right as a rabbit; since savings are the difference between income and expenditures (counting taxes among the expenditures). Heavier taxes would reduce savings; but not necessarily cut expenditures for goods and services so long as there were savings left to draw upon.

* * *

The entire discussion cannily avoids mention of the two prime instigators of inflation—the farm bloc and organized labor—aided and abetted by Congress. The B. A. E. estimates, for example, that **net farm income** will reach $12.5 billion this year, the largest on record. **Prices received by farmers** are at the highest average since 1919 and 14% above last year, whereas **prices** paid for things the farmer buys are up only 10%.

* * *

Yet perhaps we are placing too much of the onus on Congress; since **in England,** where politics have been adjourned for the duration, prices of farm property and the wages of farm labor have doubled during the war.

* * *

Coal mines have again been taken over by the Government because the miners have walked out for the fourth time this year. The miners refused to accept a WLB award which would give them an average weekly wage of $54.50, compared with $26 in January, 1941, and $14.47 in 1933. We are not defending previous low wages. In fact it is hard to conceive of any

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	Oct. 23	127.9	127.5	117.1	118.2
(M. W. S.)—I—np	Oct. 23	154.8	154.4	142.1	139.5
INDUSTRIAL PRODUCTION (rb3)	Sept.	243	242	208	174
Durable Goods, Mfr.	Sept.	367	365	299	215
Non-Durable Goods, Mfr.	Sept.	177	177	161	141
STEEL INGOT PRODUCTION (st)m	Sept.	7.49	7.56	7.06	6.96
Cumulative from Jan. 1	Sept.	66.29	58.80	63.97	75.69
ELEC. POWER OUTPUT (K. W. H.)m	Oct. 23	4,415	4,382	3,753	3,369
ENGINEERING CONSTRUCTION AWARDS (en) $m	Oct. 28	32	51	103	93.5
Cumulative from Jan. 1	Oct. 28	2,682	2,650	8,221	5,692
PETROLEUM—bbls. m					
Crude Output Daily	Oct. 23	4.41	4.41	3.92	4.11
Gasoline Stocks	Oct. 23	68.80	68.18	77.06	87.84
Fuel Oil Stocks	Oct. 23	64.75	65.52	79.14	94.13
Heating Oil Stocks	Oct. 23	43.31	42.24	48.10	54.85
CARLOADINGS—t	Oct. 23	905	912	903	833
Grain	Oct. 23	60	61	48	43
Coal	Oct. 23	172	177	167	150
Manufacturing & Miscellaneous	Oct. 23	407	404	433	379
Mdse., L. C. L.	Oct. 23	105	104	92	156
Ore	Oct. 23	74	78	76	36
GENERAL					
Bituminous Coal Prod. (st)m	Oct. 23	11.30	11.72	11.55	10.80
Lumber Production (bd. ft.)m	Oct. 23	619	612	688	632
Paperboard, New Orders (st) t	Oct. 23	144	156	150	165
Soft Coal Stks., End Mo. (st)m	Aug.	75.3	75.6	82.7	61.8
No. Am. Newsprint Prod. (st)t	Sept.	339	349	359	411
Do., Stocks (mpt) End Mo. (st)t	Sept.	639	652	896	745

PRESENT POSITION AND OUTLOOK

man working underground and living and eating in such dirty surroundings, for a pittance, particularly with a family to support. But in view of the fact that the average factory worker here in August, working 45 hours a week, received only $43.43 we believe that public opinion is justified in censuring the men for stopping production of a material so vital to the war effort as coal to press their strategic advantage further in the present emergency.

* * *

As will be noted from the accompanying statistics, sporadic walkouts had already reduced **bituminous coal** output during the week ended Oct. 23 to a level slightly under a year ago, though industrial and dealer stocks were at the end of August 9% lower than a year earlier in face of increased requirements for munitions production. Nevertheless the Bituminous Coal Institute insists that there will be enough coal for essential needs if the miners go back to work promptly and industriously. Here again we find that England also has difficulty in getting whole hearted cooperation from her coal miners.

* * *

Beginning with the current issue, we are raising the accompanying figures on **paperboard** new orders 25% to approximate full coverage of the industry.

ag—Agriculture Dep't. b—Billions. ca—Chain Store Age, 1929-31—100. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't., Jan., 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't. index (1935-9—100) using Labor Bureau & other data. en—Engineering News-Record. I—Seasonally adjusted index, 1923-5—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. m—Millions. mpt—At Mills, Publishers & in Transit. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, adjusted index, end of Mo., 1923-5—100. rb3—Federal Reserve Board adjusted index, 1935-9—100. st—Short tons. t—Thousands. tf—Treasury & R. F. C.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

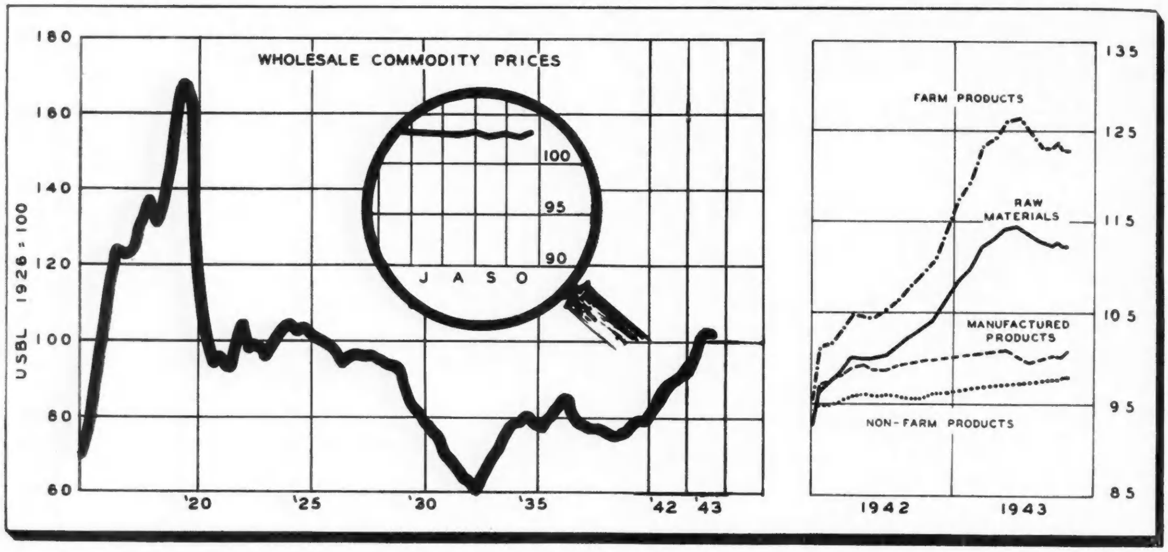
No. of Issues (1925 Close—100)	High	Low	Oct. 30	Nov. 6
	1943 Indexes			
273 COMBINED AVERAGE	89.9	54.5	81.8	77.3
3 Agricultural Implements	156.5	105.2	139.8	133.7
9 Aircraft (1927 Cl.—100)	179.2	126.8	135.3	126.8a
5 Air Lines (1934 Cl.—100)	560.3	363.1	471.5	420.9
5 Amusement	78.4	40.2	68.6	63.9
12 Automobile Accessories	142.1	83.0	120.0	113.9
13 Automobiles	21.0	9.7	17.2	14.0
3 Baking (1926 Cl.—100)	15.0	8.5	13.3	13.2
3 Business Machines	197.1	129.4	171.9	161.4
2 Bus Lines (1926 Cl.—100)	96.6	54.9	87.9	81.3
5 Chemicals	194.7	153.5	182.0	173.9
13 Construction	38.0	23.3	34.1	32.3
5 Containers	240.4	177.1	230.6	223.8
8 Copper & Brass	82.5	63.6	67.9	65.4
2 Dairy Products	40.5	29.7	39.3	38.0
6 Department Stores	32.2	15.4	30.2	28.2
5 Drugs & Toilet Articles	89.6	50.9	84.4	81.0
2 Finance Companies	237.3	152.6	215.2	213.7
6 Food Brands	131.9	85.5	124.3	121.2
2 Food Stores	47.8	37.7	46.9	46.4
4 Furniture	63.5	35.0	58.5	54.9
3 Gold Mining	1000.7	610.3	894.3	874.1
6 Investment Trusts	39.1	22.7	34.5	32.6

(Nov. 14, 1936 Cl.—100)	High	Low	Oct. 30	Nov. 6
100 HIGH PRICED STOCKS	68.01	52.87	64.21	61.84
100 LOW PRICED STOCKS	88.00	43.61	77.67	72.28
3 Liquor (1932 Cl.—100)	302.5	197.1	302.5F	288.2
8 Machinery	111.6	82.6	107.9	101.7
2 Mail Order	91.8	61.8	85.6	84.0
3 Meat Packing	62.0	34.9	55.3	52.4
10 Metals, non-Ferrous	155.7	106.8	129.5	124.8
3 Paper	13.5	9.0	13.4	12.7
21 Petroleum	141.4	86.9	127.5	122.2
18 Public Utilities	58.1	23.2	51.7	48.0
3 Radio (1927 Cl.—100)	261.	12.1	22.4	20.8
7 Railroad Equipment	57.4	32.1	48.2	45.5
17 Railroads	18.6	9.8	15.5	14.0
2 Shipbuilding	106.1	71.1	80.4	77.0
3 Soft Drinks	337.1	197.8	316.0	302.8
12 Steel & Iron	79.3	57.6	71.1	67.2
2 Sugar	47.2	32.2	41.3	39.4
2 Sulphur	196.2	167.5	170.0	167.5a
3 Telephone & Telegraph	114.4	67.0	114.4F	109.0
3 Textiles	56.7	33.7	50.6	46.8
3 Tires & Rubber	28.1	16.5	26.4	24.7
4 Tobacco	67.7	52.2	61.0	59.8
2 Variety Stores	233.8	182.4	216.9	216.6
20 Unclassified (1942 Cl.—100)	190.0	100.0	164.5	152.8

F—New HIGH since 1937. a—New LOW this year.

Trend of Commodities

With wheat advancing to a new 15-year high, the Labor Bureau's index of 7 domestic agricultural spot prices has risen another point since our last issue to a level of 14% above last year and 33% above the pre-Pearl Harbor average. Effective Nov. 6, the OPA has set a ceiling of $1.66 for No. 1 grade soft wheat sold in the 34 States east of the Rockies, St. Louis and Chicago basis, but not on wheat grown and sold in the 14 States of the Pacific Slope. The new ceilings are higher than any prices since 1928 up to the rise that started last July. In the New York market, advances since the first of the year of 45% to 59% for oats, barley and rye have resulted from the acute shortage of feed. If any substantial number of dairymen follow Secretary Morgenthau's example and sell their herds, the butter and milk shortage will grow worse before it is better. Economic Stabilization Director Vinson has set a ceiling of $16 per 100 pounds for choice cattle accompanied by a floor of $15. A House Committee has promptly started an inquiry to determine the legality of this directive. Despite a 10% decline below last year in August production, stocks of butter at the end of August were the largest on record and 52% above last year. Nevertheless, per capita amount available for civilian consumption next year will be only 70% of the pre-war level.

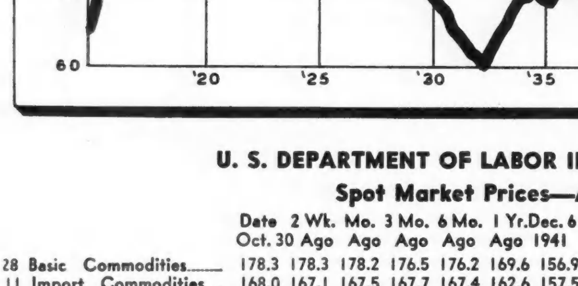


U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices—August, 1939, equals 100

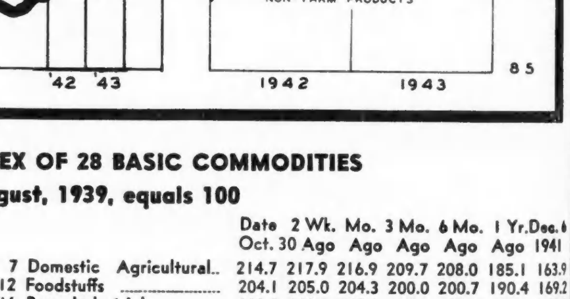
	Date Oct. 30	2 Wk. Ago	Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	178.3	178.3	178.2	176.5	176.2	169.6	156.9
11 Import Commodities	168.0	167.1	167.5	167.7	167.4	162.6	157.5
17 Domestic Commodities	185.4	186.0	185.5	182.5	182.1	174.3	156.6

	Date Oct. 30	2 Wk. Ago	Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agricultural	214.7	217.9	216.9	209.7	208.0	185.1	163.9
12 Foodstuffs	204.1	205.0	204.3	200.0	200.7	190.4	169.2
16 Raw Industrials	161.0	160.4	160.6	160.6	159.6	155.4	148.2



Average 1924-26 equal 100

	1943	1942	1941	1940	1939	1938	1937
High	94.56	88.88	84.60	64.07	64.67	54.95	82.44
Low	88.45	83.61	55.45	48.74	46.50	45.03	52.03



15 Commodities, December 31, 1931, equal 100

Copyright by Moody's Investor Service

	1943	1942	1941	1940	1939	1938	1937
High	249.3	239.9	219.9	171.8	172.3	152.9	228.1
Low	240.3	220.0	171.6	149.3	138.4	130.1	144.6

The Coming Boom in Household Equipment

(Continued from page 130)

fire proofed were solved by the company. Government business largely accounted for the record sales for any similar period of $18,461,018 for the first half of 1943. The regular activities in making carpets and rugs were sharply curtailed by raw materials and labor shortages and only a small part of the orders for these products could be filled. This means a probable large accumulation of unfilled orders for civilian use when the war ends. In the first half of 1943, net income was reduced by larger taxes, and equalled $1.48 a share. Mohawk has only one class of security outstanding, consisting of 531,000 shares of no par value capital stock. The $2 dividend rate has been maintained thus far in 1943. As of July 3, 1943, the current assets were $15,359,914 and current liabilities $1,357,069, with working capital $14,002,845. Working capital equalled $26.37 a share on the capital stock.

Nash-Kelvinator Corporation is a combination of an automobile and an electric refrigeration company, with the latter half of interest in this article. It was through the Kelvinator that the public first obtained household electric refrigerator units. The company also makes water coolers, commercial refrigeration units, oil burners and air conditioning mechanism. After the merger of the two companies in 1936, profits were small or deficits were reported for several years, but results have been somewhat better in 1941-3, with average earnings of about 75 cents a share annually. In the first half of 1943, net was 33 cents a share but some improvement is expected for the last quarter. The company has no bonds or preferred stock, with 4,291,203 shares of $5 par common outstanding. Dividends are currently at a 50 cents per share annual rate. At the end of 1942, the company reported current assets amounting to $52,766,002 and current liabilities $22,372,233, with working capital $30,393,769.

Servel, Inc., has been for many years the leading maker of gas refrigerators for both home and commercial use, also making some where the heat unit is kerosene. It is also a maker of electrically operated air conditioning equipment. Many public utilities in the gas business cooperate with Servel in marketing its products. The company recently announced that it will make a gas-operated unit for home heating in Winter and air-conditioned cooling in Summer, after the war. Servel has only common stock outstanding, with 1,726,926 shares, par $1. Servel earnings have been above $2 in some years and below $1 in others, but it has had net profits in every year since 1933. Results in the fiscal year just closed are expected to be about 85 cents a share. As of October 31, 1942, the current assets were $15,058,804 and working capital was $12,291,108.

Simmons Company has a larger production of mattresses than any other company in the world, and it is also an important maker of metal bed springs, furniture and a number of textile products. It has advertised widely for many years and had markets in many foreign countries for its products before the war. The Latin American business has been kept up, as has that in Canada and Great Britain, during the war, through branch factories in Cuba, Mexico City, Canada and England. There are nine plants in this country and a large number of warehouses are operated here and abroad. The company has received large government orders for its products during the war period, but priorities on metals and other materials have curtailed its business for civilian use. It is expected that a large demand for its products will develop after the war and the forthcoming building of many new homes and apartments should result in several years of good orders when peace is restored. The company has $9,775,000 in funded debt and only one class of stock, with 1,158,236 shares outstanding. Dividends have been paid in every

year starting in 1936, after several years of lapse before that. In some recent years as high as $3 a share was paid, but in 1942 only $1.25 was disbursed and so far in 1943 only 50 cents a share. In the 1920's, earnings were large and the stock sold as high as 188 in 1929, to fall to a low of 2¾ in 1932. Since 1936, earnings have been better, with $1.42 a share in 1938 the lowest in any year. In the first half of 1943, net was 96 cents a share and about the same results are looked for in the second half year. The financial position was strong at the end of 1942, with current assets $25,970,286 and current liabilities $7,047,712, leaving $18,922,674 working capital.

White Sewing Machine Corporation is the second largest maker of sewing machines for the home and for industrial use. It was originally founded in 1866 and has had a varied career as to earnings. In the 1920's, they were mostly good, but fell off severely in the 1930's, with deficits in many years, improving again in 1939, with fair results in the next three years. With production of sewing machines suspended owing to priorities on metals, the company has turned to the production of war materials. In the first half of 1943, this was not profitable, and a deficit of 33 cents a share was reported. It is expected that earning possibilities after the war will be much better, especially as Sears, Roebuck & Co. is a large distributor of the company's sewing machines, and a large accumulated demand is believed to exist. White has no funded debt but has three classes of stock consisting of 87,920 shares of $2 cumulative prior preference stock, par $20, and 11,080 shares of $4 preference stock, of no par value, also 346,760 shares of $1 par common. There are no arrears on the $2 preference dividends but there is $49 a share arrears on the $4 preferred, which has been receiving no dividends for a number of years. At the end of 1942, the current assets were $4,183,914, current liabilities $363,804 and working capital $3,820,110.

Investment Audit of Western Union

(Continued from page 145)

post-war decline in business. Since a substantial part of the present business is for Government account at a reduced rate, the loss should not be proportionate to the decline in messages handled. Over the longer term, the program for mechanizing the property promises increased profits—provided these are not lost through taxes or rate reductions. In any event, reduction of the huge personnel should help to stabilize earnings in bad years.

New Role for Consumer Credit

(Continued from page 127)

carry on business. Resources now are in an ultra-liquid condition. Reflecting this and excellent post-war prospects, the stock has acted far better than the general market. During the more severe phases of the market decline in July, CIT shares displayed above average resistance and rising tendencies whenever pressure on the general market relaxed. Their current price of about 42 (against the year's high of 44½) represents a modest valuation of company prospects. Yield is nearly 5%; on basis of indicated 1943 earnings, the price-earnings ratio of 13 to 1 is by no means excessive.

Commercial Credit Co. discloses similar trends. Receivables acquired in 1942 shrank to $569 million from the 1941 record high of $1018 million with the sharpest reduction in automobile finance paper. During the first six months this year, receivables of $230 million were purchased against $317 million a year ago but net sales of manufacturing subsidiaries were $49.7 million. This company, too, has gone in for increasing diversification to maintain income, and the surety business it acquired some years ago turned out to be an excellent investment. More recent purchase of a 59% interest in the Gleaner Harvester Co. is materially aiding profits. 1942 net was $3.55 per share against $4.65 in 1941 while for the first half of 1943, $1.64 was realized against $1.76 last year. With rapidly waning income from financing well supported by other sources, total 1943 net should come to around $3 per share and the $3 dividend may well be maintained this year.

The balance sheet reveals great liquidity. At midyear, cash and marketable securities aggregated $83.82 million against current liabilities of $53.36 million, the latter having been sharply reduced since last year end by repayment of $57.17 million short term notes and $15 million low-coupon notes maturing in February. As a result, there are outstanding only $16.15 million short term notes and $1.5 million 1½% notes due in December. Long term debt consists of $30 million 2¼ notes maturing 1949. Additionally, 121,938 4¼% cumulative convertible preferred shares are ahead of the common. Reserves for various contingencies total $20.94 million. On basis of current price of about 40, the common yields 7% with current price-earnings ratio 13 to 1 pointing to favorable market possibilities once peace is in sight.

With national income at a record high and buying opportunities for the public curtailed by lack of merchandise especially in the durable goods field, Personal Loan companies experienced a gradual shrinking of volume though declines are likely to remain moderate. Hence earnings should show considerable stability at the lower levels, pointing to relative steady market action of their equities. Dividend reductions, if any, should remain small.

Declining gross income reflects not only lessened demand for loans (which also average smaller in amount) but much faster repayment due to the absence of most normal avenues for spending. However, the war's imprint is far less pronounced than in the instalment finance field. Demand for small loans persists; although current wage levels are high, distribution of high wages is uneven.

Growth of the personal loan business has been rapid and companies specializing therein continued to expand steadily despite the large number of commercial banks entering the field in the late Thirties, quickly building up an impressive volume. Post-war prospects will be mainly governed by economic and other conditions generally paralleling those cited for instalment finance. But the purely economic factor is likely to assume first place. On the whole, volume prospects are judged good, in line with the ingrained buying and borrowing habits of the people. During the transitional period when there will be some unemployment, business may rise sharply though wider distribution of unemployment benefits may moderate this to as an yet unknown degree, depending on the length of the period of subnormal employment. The long-term narrowing of operating margins may well continue, however, leading to a very gradual downtrend in earnings once the peak of post-war business is past.

Beneficial Industrial Loan Corporation, one of the two leaders in the small loan field, last year earned $1.99 per share against $2.35 in 1941. For the nine months ended Sept. 30, net was $1.46 per share compared with $1.50 for the preceding period. Total 1943 net is expected to be around $1.80 per share. At midyear, instalment notes receivable amounted to $51.02 million against $76.74 a year ago. Long term debt consisted of $17.85 million low-coupon debentures versus $24.30 million last year while short term notes, $5.05 million in 1943, were largely repaid with only $54,000 left outstanding. As loan volume fell off, 314,980 shares of common stock were repurchased last March at $14 per share. Reasonably priced in relation to book value, the common at the current price of around 16¼ allows for lower earnings for the duration and thus has moderate appeal, yielding about 9%. Price-earnings ratio of 8 to 1 leaves room for considerable market improvement once the peace outlook is clearer.

Household Finance Co., with a similar earnings trend, is expected this year to net about $4.50 per share against $5.99 in 1942, $6.11 in 1941. For the first nine months, $3.80 was earned on the common compared with $4.64 for the comparable preceding period. The current dividend rate ($4 was paid in 1942) should be maintained at least over the near term. At midyear, customers receivables stood at $62.94 million against $71.75 million last December. The company has no funded debt and bank loans on June 30 were $1.38 million, sharply down from the $13.38 million reported a year ago. Reserves against bad debts were $6.33 million or 8.82% of customers notes outstanding; this compares with losses from bad

debts in 1942 of only 1.59%, and the 14-year average of 2.22%.

Statistically, Household Finance is in an outstandingly good position, showing extreme liquidity. The current price of the common, 53½, yielding 7½%, adequately discounts prospective lower war-time earnings. Considering favorable post-war prospects, the stock merits attention for the long pull.

Low Priced Building Stocks Compared

(*Continued from page* 141)

boom gets under way and a decided recovery in earning power is anticipated for then. This company has some other means of revenue besides the building supply field, as one of its departments before the war did a large business in special materials for the motor car trade, including adhesives, rubber cements, body protective coatings, felts, etc. In the building materials lines, the Flintkote products include a variety of roofing materials, including asbestos and asphalt shingles, coatings and cement. A long list of siding, insulation, and wallboard products are made, also waterproofing, felt, building papers, etc. The company has an industrial department making special products for the particular needs of manufacturing plants, also a number of special articles used in shipbuilding. One of its plants makes a complete line of paperboard products, also containers. A special product which may have a wide use after the war is an asphalt paving material used for airport runways, roads and streets. The company has a number of plants located in various parts of the country from the Atlantic to the Pacific, and several in Canada. It did a gross business of $33,006,953 in 1942.

Flintkote has $3,000,000 in funded debt, 38,367 no par value preferred shares and 713,706 shares of no par common stock. The preferred is on a $4.50 dividend basis, and is callable at 105½ until June 16, 1946, then at lower amounts thereafter. The preferred recently sold at 106. The financial position is strong, with the year end figures showing $12,622,500 current assets, $5,858,330 current liabilities and working capital of $6,764,170. At the end of 1943, a larger ratio of current assets to current liabilities is expected to be reported as a result of new financing during the present year. The book value of the common stock at the end of 1942 was $18.06 a share.

General Bronze Corporation showed a decided increase in its business and earnings as a result of war conditions. Some of its products were used in much the same form as in peace time in construction work for the Government but a number of new activities resulted from things directly used in warfare. The company in peace time makes a number of iron and aluminum products for building as well as those in bronze. It is also engaged in several special lines, including making steel doors and lighting fixtures and commercial iron work. The products are made in several plants, located in three states. In the 1920s, this company had large earnings and paid good dividends. Among its most profitable lines are ornamental bronzes, which were used in the luxury buildings of the time and which may again be in larger demand in the postwar building boom. The earnings through the 1930s were small, but showed a sharp improvement in 1941 and 1942. Figures for the current year are not available. The 1942 net of $2.78 a share included special reserves of 87 cents a share. The first dividend in a number of years was paid in 1943, being 30 cents a share thus far. The stock has not had much market change in the past ten years, with its best figure in that time at 14, but in 1929 it made a high of 69¾. The company has no bonds or preferred stock, with 228,850 shares of $5 par capital stock outstanding. At the end of 1942, current assets were $3,582,116, current liabilities $2,280,642 and working capital of $1,301,474. The capital stock had a book value of $10.28 a share.

National Gypsum Company makes a number of the materials used in building, not only gypsum plasters of several grades, but also insulation board, metal laths, cement and special gypsum products. It has plants in twenty-one states. The management recently announced that the company had already started preparing for postwar business and that no delay would be experienced when civilian demand could be filled. This company has had small earnings for a long period, but showing a better record in 1942 than in other recent years, with sales for the year at $22,139,798 and net equal to 97 cents a share on the common. Some decline is indicated for the current year. Dividends have been paid at the year-end on the common and a disbursement is expected before the end of 1943. The capitalization consists of $6,080,000 in bonds, 64,980 shares of no par preferred and 1,339,459 shares of $1 par common. The dividend rate on the preferred is $4.50, and the stock is callable at 105 through November 30, 1943, then at 103. It is convertible for common at $23 a share through November 30, 1943, then at $26 through November 30, 2945. The preferred recently sold at 90. At the end of 1942, National Gypsum had $9,224,118 current assets, $2,894,994 current liabilities and $6,329,124 working capital.

The National Lead Company is one of the largest makers of paint and white lead in the world. It has a number of other lead products, makes oil colors, metal for bearings, plumbers' materials, lead pipe, solders, materials used in the printing trades and products used in the canning trades. Numerous plants and mines are operated in the United States and, before the war, it had sales agencies in many foreign countries. It has been developing South American trade and plans to renew sales to Europe when the war ends. The gross business in 1942 was $127,079,608, a considerable part of it being on government orders. Earnings have been on a smaller scale in 1943 than in the two previous years with possibilities that less than $1 may be shown for the full year, compared with

$1.73 in 1942 and $2.26 a share on the common in 1941. The postwar outlook is for a great expansion in business, as this company's products are widely used in paints and in plumbing work. The company has no bonds. There are two classes of preferred, with 223,793 shares of "A" first preferred, par $100, which is on a $7 dividend basis and 77,462 of "B" second preferred, of $100 par, which is on a $6 dividend basis. Both stocks are non-callable and they rank as high grade investments, with the 7% preferred recently selling at 171 and the 6% preferred at 146. There are 1,090,664 shares of common outstanding, par $10. It is currently on a 50 cents per share annual dividend basis. The common sold as high as 44 in 1937.

Another Look At . . .

(*Continued from page* 109)
tions, but earningswise, the effect on the former was far less than on the latter. Gypsum reported six months net of $1.98 per share against $2.01 last year while Montgomery's dropped to $1.21 (for six months ending July 31) from last year's $2.17 per share. On a relative price-earnings basis, both sell at approximately the same ratio, placing roughly the same valuation on future prospects. Whether this is justified, remains to be seen. Over the nearer terms, contraction of Gypsum's earnings promises to be less drastic than Montgomery's. The former is by no means threatened with the sizable loss which Montgomery is suffering from its now unprofitable mail order operations. Recovery potentials of the latter are marked, of course, and post-war prospects of the mail order concerns should be exceptional. Long established in the field, Montgomery should forge ahead. On the other hand, Gypsum's future is tied up with the expected building boom. Potentialities are great but so is prospective competition. The company's creditable showing under present restrictions reflects able management under difficult conditions which should favorably assert itself after the war. Everything considered, it should eventually command a premium in the relative valuation of these two stocks though statistically, there is little to choose between the two.

As I See It!

(*Continued from page* 109)
Empire, which the Germans had expected to widen in scope to include all of Europe with Berlin as the capital.

This would re-make Europe entirely and do away with the old balance of power theory which made it necessary to erect satellite and buffer states between the strong nations—a stupid practice which was never a protection against aggression and which was only used by the unscrupulous to further their own interests.

If what I believe is true, Secretary Hull has convinced Marshal Stalin that only independent and prosperous neighbors will produce the political and economic security that Russia seeks. And since the various states will all be members of a new allignment of nations organized to prevent aggression by any one of them, security for all will have been established and a kind of stability that will make for an interdependence among the nations of Europe and thus eliminate the jealousies and antagonisms which have bred war on that continent for so many centuries.

Such a lineup will make it possible for this new combination of states to develop their resources and the standard of living of their people so they can absorb their own products and depend on their domestic economy for their prosperity. Export trade under such circumstances would consist mainly of the specialties produced by the various peoples. Certainly a Russia surrounded by friendly neighboring states would be far safer than a Russia striving continuously for a balance of power to hold Europe in line.

My faith that such a solution is contemplated and that Stalin is sincere, is based on his willingness to admit China as an equal and to recognize China's aspirations on this historic occasion. By relinquishing control of China—for Russia has already started to move out bag and baggage—Stalin is telling Japan that the jig is up and that she in turn will have to get out of the coastal cities of China and of Manchukuo.

This act of justice may change the whole pattern of the Far East. For China it will mean a new day—a free China released from the domination of all foreign powers. For Russia it will mean stability in Asia; and that she was won as allies and friends the four hundred million people of China, a neighbor whose rehabilitation and strength will encourage peace in that part of the world, while prosperity and contentment will stimulate trade and bring about a profitable exchange of goods from which both nations will benefit.

And there is still more.

For the world the epochal meeting of Hull and Stalin has made China a bulwark against race warfare which Japan has been plotting. For the white man the world over it will bring the greatest prestige he has known since Christ preached brotherly love to all men. As the instrument of resurrection for the down-trodden and the suffering, the white man will have earned a place of respect at a time when he needed it most.

The Moscow conference means all these things, with the potentialities that will enable men to walk the earth truly in the likeness of God. It is worth fighting for—dying for. It is worth living for!

Answers to Inquiries

(*Continued from page* 147)
1st half of this year as compared with 60 cents for the same period of 1942. In the pre-war years of 1936 to 1939, inclusive, the highest earned was $2.01 and the lowest was 32 cents per share. A conservative procedure would be to retain half of your Westinghouse Air Brake, disposing of the remainder and reinvesting the funds in American Chain and Cable common stock. By so doing, you will increase your income at the present time and have better diversification.

For Profit and Income

(*Continued from page* 143)

not a complete guide, is worth brief review. Peak yearly volume during the First World War was about five times greater than in the most active pre-war year. Average volume for the six years 1915-1920—the period of abnormal war stimulation—was about three times greater than average of the six years 1909-1914. There was a deep slump in 1921 but that was a year of general depression, not peculiar to machine tools. At no time in the active '20's did volume equal the 1918 war peak—but the average for the nine years 1922-1930 was more than double the pre-war average, the reason being that our whole industrial economy was on a permanently higher base.

How to Minimize Your Taxes

(*Continued from page* 114)

Irving Trust, one can register a long-term capital loss and still retain his interest in the banking business.

One more tax selling thought may be constructive. Perhaps it might be well to take some profits, accumulate some cash, and offset the profits with losses taken in other issues. For instance, many people think that the distilling shares are getting pretty high but hate to sell them because sale would incur tax liability. Why not sell the whiskey shares and then sell enough war stocks, bank stocks or utility holding company commons to offset the profit?

It also may prove true that some of the so-called "peace" shares have discounted the post-war prosperity too far in advance, and can be replaced lower during the period of readjustment from a war economy to the business conditions of peace—probably an awkward era for profits. Why not sell some of them, and neutralize the profits with losses? One unfortunate thing about the tax on capital gains is that it often deters the investor from taking capital gains which should be accepted. It can lead to grievous mistakes, mistakes long regretted.

It should be stressed that this study covers only one aspect of the 1943 tax problem. Taxes are a complicated subject, and anyone who has a large tax to pay is advised to consult a tax expert.

Re-Appraisal of War Stocks

(*Continued from page* 117)

be needed to prevent an acute depression in the shipping trade. This outlook has discouraged investment and shares of leading shipping companies are now believed largely in interested hands. American-Hawaiian Steamship Co. alone in the foreign field, and Interlake Steamship Co. in the domestic field have attractive earnings and dividend records; with dividend yields of 9% and 7% respectively and price-earnings ratios of 9 to 1, and 12 to 1, they have speculative appeal though a degree of risk does exist.

By virtue of the industry's basic importance to the war effort, and the war-related expansion of steel making capacity during the past few years, steel shares are commonly treated as war stocks despite the industry's equally fundamental importance in peace. But this opinion now appears in the process of revision and steels today are in as good a position as any to start a market upsurge when the time is ripe. Representative steel stocks are relatively cheap and close to their lowest levels of recent years; on an average they sell about eight times earnings and on a yield basis of around 7%. True, the industry has its share of problems. With the cessation of war demand, it is estimated that some 25 million tons of raw steel annually will be looking for a market, due to war-time expansion of capacity. This new capacity, however, can only contingently be regarded as a threat; it may in fact turn out to be beneficial rather than otherwise insofar as eventually it may become synonymous with modernization, involving merely the retirement of well-depreciated obsolete facilities.

Recent relative firmness and activity of steel stocks has begun to discount these favorable factors in the outlook but the process is by no means completed. While some leaders, such as U. S. Steel, have advanced sufficiently to narrow ratios to more reasonable figures, many including some of the favorably regarded light steel producers still leave considerable room for improvement. Thus Allegheny-Ludlum, Inland Steel, National Steel and Republic Steel are believed in line for further improvement when market conditions are more propitious.

Railroads, by reason of the enormous benefits they reaped from heavy war-time traffic, are also classed as war stocks though their peace-time importance to our economy is patent. Exceptions are those few carriers which all along enjoyed an impressive earnings record. War prosperity of the railroads has been very real but obviously it is a temporary phenomenon, a windfall which for a time has tended to obscure the debt problems which continue to cloud the longer range outlook of most carriers.

While the "cream" is undoubtedly off, the group still has speculative possibilities, based on continued high war-time income and the improved status of many equities due to reduction of debt and fixed charges. But generally speaking, the speculative risk inherent in rails at the present juncture is probably greater than in the case of most other war stocks and this is reflected by extremely conservative capitalization of current high earnings. Southern Railway at around 23 is selling below 1942 net of $23.41 per share; Atchison at about 59 is selling at little more than twice last year's earnings of $27.46 per share. New York Central sells at a similar relationship.

Cumulative improvement in the financial resources and credit position of many railroads will fortify them against post-war exigencies, a process which will last for the duration of the war. But post-war capital needs will be heavy, and resources in many instances will not be adequate to restore equipment to par, catch up on much needed maintenance of ways and defray fixed charges in the face of

prospective sharply lower revenues. Thus extreme selectivity is in order when entering speculative commitments.

Increased resistance of war stocks has been a feature of recent market periods. Having long been selling in what appears an unduly depressed price area, popular regard for such issues might well gain appreciably with more tangible evidence for a prosperous post-war period. At current thoroughly deflated levels, selected aircrafts, machine tools, coppers and other non-ferrous metals certainly offer a minimum of risk, as to further reaction, and may hold substantial appreciation possibilities when acquired for long-term speculative investment. Steels where *inherent* risk factors are far less though the reaction risk may be greater, offer an admirable compromise between the two. Shipping and shipbuilding shares, on the other hand, are best left alone; the cloud of long-range uncertainties hovering over the former is too thick to permit of analytical penetration while the inevitable deflation of shipbuilding activity, and inherent political factors, are too formidable even for inveterate risk takers. In rails, the speculative element to some extent is governed by the length of the war and the resultant period of high earnings, but debt factors in conjunction with the post-war competitive outlook remain paramount. When peace actually comes in Europe we may well see important advance in selected war stocks and reaction in over-bulled peace shares.

Anti-Trust Policy

(*Continued from page* 133)

obvious but principles may well have to be sacrificed for the sake of world cooperation. Despite outspoken criticism of any tendency to go along with other nations in carving up the world's markets, cartel fashion, it requires no particular prophetic powers to predict that the odds are very much in favor of just that. While it will be a matter of necessity rather than choice, our foreign trade, at least for some time after the war, is likely to be conducted chiefly under close Government supervision, in line with our Government's world economic policy. In other words, there is little chance that we shall practice abroad what we preach at home.

This brings to mind similar situations in the domestic field. In some quarters it is increasingly urged that exemptions from the anti-trust laws, now including the railroads, utilities and agriculture, be cautiously extended by permitting combinations, under suitable regulation, among industries concerned with our dwindling natural resources, notably petroleum, coal, and forest products. Equally meaningful is the trend towards consolidations, under strict Government control, in the fields of communications, shipping and air transport, lately so vigorously supplemented by Vice President Wallace's agitation in respect to railroads and hints elsewhere of the desirability of Government control of basic commodities generally. This, too, offers a strange contrast with revived insistence on free and unhampered competition among industry as a whole. Yet on closer examination, the contrast is more apparent than real. In either case, the implication is more control, more supervision.

As to industry, it can be stated that individually and collectively, it is fully alive to the importance of low cost production in shaping post-war business. It agrees with the Government that selling more goods at lower prices is the only road to maximum employment, permitting widest possible diffusion of purchasing power. Cost reduction is a vital part of industry's own post-war planning; it has been placed at the top of the list of major purposes of industrial research. From past experience, industry is quite aware that lower prices is the road to profits as well. It feels, however, that to achieve low-cost production by a radical swing to the philosophy of production for use, bruskly enforced via the anti-trust route, would be disruptive rather than helpful and may thus easily defeat its own purpose. What industry wants, is an opportuinty to work out its own solution. Its splendid war performance should at least entitle it to that.

World of Transportation

(*Continued from page* 121)

but by all American transportation interests able to contribute under an organization plan approved by the Government?"

On the other hand, the Government inter-departmental committee was reported some time ago to be opposed to "Government ownership in any United States international air line" as well as to "monopoly by any single United States air line." It expressed the hope that many United States air lines would have an opportunity to fly to foreign lands, depending upon economics and public convenience.

In summary, it may be said that the outlook for steamship companies and air transport lines is definitely for much larger volume of business, which in the case of steamship companies will be handled more efficiently as a consequence of modernized equipment. Compared with war-time operations, business will be smaller, and consequently readjustments will be necessary, which in the case of air-craft companies will probably require some financing.

As to international competition, it will be keen and will be carried on with organizations owned or backed by foreign Governments. In turn, the cooperation of our own Government will be required for both air transport companies and steamship lines if they are to survive.

Tobacco Stocks

(*Continued from page* 135)

of low-priced cigars, and its former 5 cent Phillies brand has been advanced to 6 cents. The two factories in Philadelphia are highly mechanized, and the company has benefited by aggressive promotion. Funded debt is negligible and the preferred stock was retired in 1941. The stock appears moderately priced on earnings.